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# GOVERNMENT CONTROL OF MEAT PACKING INDUSTRY

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## HEARING

BEFORE THE

### SUBCOMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

SIXTY-FIFTH CONGRESS

SECOND SESSION

ON

## S. RES. 221

IN FAVOR OF GOVERNMENT CONTROL AND OPERATION OF  
PACKING HOUSES AND PACKING PLANTS DURING  
THE CONTINUANCE OF THE WAR

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SEPTEMBER 17, 18, 23, 24, 26, 27, AND 28, 1918

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Printed for the use of the Committee on Agriculture and Forestry



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1918

**SUBCOMMITTEE ON AGRICULTURE AND FORESTRY.**

**THOMAS P. GORE, Oklahoma, *Chairman.***

**JOSEPH E. RANDELL, Louisiana.**

**GEORGE W. NORRIS, Nebraska.**

**JOHN B. KENDRICK, Wyoming.**

**WILLIAM S. KENYON, Iowa.**

**H. M. KAY, *Clerk.***

# GOVERNMENT CONTROL OF THE MEAT-PACKING INDUSTRY.

TUESDAY, SEPTEMBER 17, 1918.

UNITED STATES SENATE,  
SUBCOMMITTEE ON AGRICULTURE AND FORESTRY,  
*Washington, D. C.*

The subcommittee met pursuant to call at 10.30 o'clock a. m. in the committee room, 326 Senate Office Building, Senator Thomas P. Gore presiding.

Present: Senators Gore (chairman), Ransdell, Thompson, Norris, and Kenyon.

The committee proceeded to the consideration of the resolution S. 221, as follows:

[S. Res. 221, Sixty-fifth Congress, second session.]

## RESOLUTION.

Whereas the prices of meat, poultry, eggs, butter, canned goods, and other necessities of life alleged to be handled and controlled by the packing industries of the country have become so high that it is difficult for people of limited means or for laborers working for daily wages to purchase in sufficient quantities to properly sustain life, provoking dissatisfaction among the masses of the people; and

Whereas the packing plants under private control seem powerless to so control and regulate the labor employed in their plants as to keep them contented and satisfied, without striking and resorting to violent methods to redress their grievances, which has delayed and prevented the production to the full capacity of the plants and has caused failure to promptly fill Government contracts; and

Whereas the high prices and unreasonable monopolistic control by the packers has greatly increased the cost of foodstuffs to supply the Army and Navy during the war, thereby diminishing our fighting power in the war; and

Whereas the limited control through the Food Administration of said packing industries is so ineffective, and the allowance of a profit to the packers above all losses, no matter how caused, of from 9 per cent to 15 per cent on their investment, including all borrowed money which, through the control by the packers of the financial institutions of the country, was borrowed at very low rates of interest, is unreasonable and difficult to carry out owing to the peculiar methods of bookkeeping employed by the packers to arrive at the profit allowed by the Government, all of which, as shown by the investigation carried on by the Federal Trade Commission, the hearings conducted by the Senate Agricultural Committee, and other congressional committees has resulted in great injury and loss to the people of the country: Now, therefore be it

*Resolved*, That the United States Government take over, control, and operate all the establishments known and designated as packing houses or packing plants now existing in the United States, to the end that the greatest and most complete service to the people and the country be obtained during the period of the present existing war.

The CHAIRMAN. The committee will first hear Mr. Rush C. Butler.

**STATEMENT OF MR. RUSH C. BUTLER, CHAIRMAN FEDERAL TRADE COMMITTEE, CHAMBER OF COMMERCE OF THE UNITED STATES, 1414 MONADOCK BLOCK, CHICAGO, ILL.**

The CHAIRMAN. Let me state, Mr. Butler, that the committee has given some attention to what is known as the Thompson resolution, with regard to the packing houses, and also an amendment which I offered the other day to the food production bill, but which was withdrawn, the object of which was the carrying out of the recommendations, in part, of the Federal Trade Commission as respects the packing houses.

Senator KENYON. Mr. Butler, have you examined the report of the Federal Trade Commission and its recommendations as to the packing houses?

Mr. BUTLER. Yes, Senator; I have.

Senator KENYON. Now, the Chamber of Commerce of the United States took exception to those recommendations, or to the general course of the Federal Trade Commission.

Mr. BUTLER. I think, stated broadly, the business interests of the country, as represented in and by the Chamber of Commerce of the United States, took exception to the spirit in which the acts of Congress are administered by the Federal Trade Commission.

Senator KENYON. The statement of your Federal trade committee, which is printed, and of which you have given me a copy, was issued after the report of the Federal Trade Commission on the meat situation, was it not?

Mr. BUTLER. But it was in process of preparation for some weeks before that report was published by the commission.

Senator KENYON. But you refer to the report of the commission on the packing industry.

Mr. BUTLER. Yes. The report of the committee was not completed until the date it bears—the 14th of August.

Senator KENYON. What was the date of the commission's report? Do you remember?

Mr. BUTLER. I believe it was some time in June when it was made public; June or July.

The CHAIRMAN. June 29.

Senator KENYON. Your report is rather severe on the Federal Trade Commission, and of course Congress is interested in that because it has appropriated large sums of money for the Federal Trade Commission. Just who were the members of the Federal trade committee who got up that report?

Mr. BUTLER. I have brought with me a list of the members of the committee. Would it be of interest, Senator, to have the personnel of the original committee, or do you just wish the present committee?

The CHAIRMAN. Let us have both.

Mr. BUTLER. I should be very glad, then, if you will indulge me while I make a short statement with reference to the action of the Chamber of Commerce of the United States and its Federal trade committee with respect to general subject matter. The President of the United States appeared before the Houses of Congress on, I believe, the 20th day of January, 1914, in an address inviting the con-

sideration of Congress with reference to the creation of such a commission. It was in that address that the President said:

The business men of the country desire something more than that the menace of legal process in these matters be made explicit and intelligible. They desire the advice, the definite guidance, and information which can be supplied by an administrative body, an interstate trade commission. The opinion of the country would instantly approve of such a commission.

That was in January. The annual meeting of the chamber was held the following month, and in response to this sentiment so well expressed by the President, a resolution was adopted at this annual meeting, reading as follows—

The CHAIRMAN. The annual meeting of what?

Mr. BUTLER. Of the Chamber of Commerce of the United States, February, 1914. [Reading:]

Whereas Congress is now calling upon the business interests of the country for an expression of their views on legislation recently proposed relative to the Sherman Act, and the board has authorized and directed the president of the chamber to at once appoint a special committee of not less than seven to study and analyze all bills, tentative or actual, which may be obtainable, and to prepare a referendum to the membership of the body on the principles of the subject matter involved: Now be it

*Resolved*, That this convention heartily approve of such action and that such referendum be taken, and further, that this convention wishes to express to Congress its desire to cooperate to the fullest extent in securing from the business interests of this country a full expression of constructive opinion on the principles of the subject matter in question: Be it further

*Resolved*, That the result of such referendum be promptly reported to the proper committees of Congress: And be it further

*Resolved*, That the said committees be furnished with copies of this resolution.

In compliance with the resolutions, the president of the chamber, who was then Mr. Harry A. Wheeler, appointed a committee. That committee consisted of R. G. Rhett, of Charleston, S. C., as chairman; Charles R. Van Hise, of Madison, Wis.; Charles F. Matthewson, who is now dead; William L. Saunders; Louis D. Brandeis, who because of his almost immediate connection with the Five Per Cent advanced rate case was succeeded by Mr. George Rublee; Prof. Henry R. Seager, of Columbia University; and Mr. Guy E. Tripp, president of the board of the Westinghouse Electric Co.

On the 31st of March, 1914, this committee reported, and its report became the basis of the chamber's referendum No. 7, which closed on May 29 with 522 votes in favor of the creation of the commission and 124 votes against it. The second report of this committee upon proposals for legislation regarding the regulation of business was dated May 13, 1914, and was the basis of referendum No. 8, which closed on July 9 with 531 votes against legislation forbidding discrimination in prices of commodities and 22 votes in favor.

Senator KENYON. Are all these questions submitted to a referendum?

Mr. BUTLER. That is the policy of the chamber, Senator, that it can take no action without a referendum.

Senator KENYON. Was this report submitted to a referendum?

Mr. BUTLER. This report was not submitted to a referendum. It is at the present time nothing more than a report of the Federal trade committee to the board of directors of the chamber.

Senator KENYON. But it has been published, of course, by authority of the chamber of commerce.

Mr. BUTLER. It was.

Senator KENYON. And widely circulated?

Mr. BUTLER. Yes; I think so.

Senator KENYON. Have you any idea how many copies were sent throughout the country?

Mr. BUTLER. Mr. Redpath may be able to state.

Mr. REDPATH. A copy was sent to each member of the Chamber of Commerce of the United States for information; all told, about 14,000 copies.

Senator KENYON. And printed in the newspapers, too, all over the country?

Mr. REDPATH. The newspapers received copies and followed their own choice about the matter. The clippings would indicate that it was widely published.

Mr. BUTLER. There were 481 votes in favor of legislation against interlocking of directors among competitive business corporations.

Senator NORRIS. This report to which you refer is the one we have before us here?

Mr. BUTLER. That is right, Senator.

Senator KENYON. I refer to the report of August 14, 1914.

Mr. BUTLER. The report I am just speaking about is the second report of this special committee.

Senator KENYON. On interlocking directors?

Mr. BUTLER. Yes, sir.

Senator KENYON. They voted against that pretty unanimously, did they not?

Mr. BUTLER. There were 491 votes in favor of legislation against interlocking directors.

Senator KENYON. Against interlocking directors, or against the law?

Mr. BUTLER. Against interlocking directors and in favor of the law. And the vote was against the legislation forbidding discrimination in prices also.

Mr. REDPATH. The vote was against any legislation which would forbid discrimination in prices, and it was in favor of legislation preventing interlocking of directors among competitive business corporations. It is all set out here in print, and copies of this are at your disposal.

The CHAIRMAN. But they were not in favor of establishing a fixed price?

Mr. REDPATH. Quite independently of the course of events Mr. Butler is referring to, last summer the organizations in the chamber declared in favor of fixing prices for the period of the war.

The CHAIRMAN. I see. And is that the policy that is being followed now by the Government?

Mr. REDPATH. Yes, sir.

The CHAIRMAN. Among mine operators and manufacturers the basis is cost plus profit.

Mr. REDPATH. There is no declaration by the chamber on the cost plus proposition.

The CHAIRMAN. And as for as farmers are concerned, this price fixing had no reference to cost?

Mr. REDPATH. There is nothing at all in the referendum with respect to the basis on which prices should be arranged.

The CHAIRMAN. That is the way the theory has been applied.

Mr. REDPATH. I, of course, am not prepared to answer that.

Senator KENYON. The farmers are not in the chamber of commerce, are they?

Mr. REDPATH. No; this is an organization of commercial organizations.

Mr. BUTLER. I might say, in reply to that question, that the fixing of prices on coal was not upon the basis you suggest.

The CHAIRMAN. But I notice in the Federal Trade Commission's report they indicate that the coal profits have been in excess of any other profits in any other line of business.

Mr. BUTLER. I do not know whether that is so or not. I know this: I have been advised by the Treasury Department that the coal industry is paying a higher percentage of its net earnings in Federal taxes than any other industry.

The CHAIRMAN. Which would indicate that their profits run pretty high?

Mr. BUTLER. Yes; they are, no doubt. They are paying nearly 50 per cent of them in Federal taxes.

To resume this historical review of the activities of the chamber and this committee—I refer to “this committee” because the committee on trust legislation, which preceded the Federal trade committee, was the predecessor of the committee of which I am chairman.

On September 6, 1914, the trade mission act became a law.

On the 15th of October, 1914, the Clayton Act became a law.

By resolution of the annual meeting of the members of the chamber of commerce, held in February, 1915, the appointment of a Federal trade committee was authorized. That committee was appointed and organized on April 7, 1915, and Mr. Harry A. Wheeler, who had previously been president of the chamber, was appointed chairman of this committee.

Senator KENYON. Is that the committee that is in existence now?

Mr. BUTLER. Yes.

Senator KENYON. The committee that is responsible for this report?

Mr. BUTLER. The personnel is different, but it is the same committee.

The CHAIRMAN. And Mr. Wheeler is the chairman of it, you say?

Mr. BUTLER. He was originally.

The CHAIRMAN. And you are chairman now?

Mr. BUTLER. Yes; I succeeded him when he became president of the chamber this year.

The other members of the original committee were Joseph P. Cotton, of New York, who now represents the Food Administration, as I understand it, in the packing industry—

Senator KENYON. The meat end of it?

Mr. BUTLER. The meat end of it.

Senator KENYON. He is a lawyer in New York.

Mr. BUTLER. He was.

The CHAIRMAN. Has he been attorney for any of the packing concerns that you know of?

Mr. BUTLER. I do not know, Senator, that he has. I do not know that he has not.



The CHAIRMAN. He was formerly associated with Paul Cravath? Mr. BUTLER. He may have been.

The CHAIRMAN. I am sure he was.

Senator KENYON. Did he learn about the meat business in connection with the chamber of commerce?

Mr. BUTLER. Up to the time Mr. Cotton resigned—I think he was on the committee only about a year, from 1915 to 1916—up to the time he resigned I think I met him at only two meetings of the committee, and up to that time we had not had anything to do whatsoever with the packers.

Senator KENYON. Whom did he represent on the committee—any movement or interest?

Mr. BUTLER. No. As I understand it, this committee was appointed without regard to representation of any interest whatsoever. It was really appointed as a representative committee of lawyers and economists and business men of the country, to get together and keep in touch with the Federal Trade Commission.

Senator KENYON. Who appointed that committee, Mr. Butler?

Mr. BUTLER. The president of the chamber, Mr. John H. Fahey, of Boston, Mass.

The other members were: Mr. Alfred B. Koch, of Toledo, who is a dry goods man in Toledo, and at that time was president of the National Association of Dry Goods Men; Mr. William L. Saunders, chairman of the board of the Ingersoll-Rand Co., of New York; Prof. Henry R. Seager, of Columbia University; Alexander W. Smith, a lawyer, of Atlanta, Ga.; Guy E. Tripp, of New York, now a colonel in the Ordnance Department; and Dr. I. C. White, of Morgantown, W. Va., and State geologist.

The CHAIRMAN. And he is with the Geological Survey?

Mr. BUTLER. I think he is.

Mr. REDPATH. Not the United States Geological Survey; he is the State geologist.

Senator KENYON. Just what was the particular business of that committee?

Mr. BUTLER. The primary purpose of that committee was to keep in touch and friendly cooperation with the Federal Trade Commission, to the end that the spirit of the Clayton law and Federal Trade Commission law might be made effective. I remember Mr. Wheeler saying in the early days of our committee that he felt that up to that time the experiment of having an advisory committee for the Federal Reserve Board had been very satisfactory. He further stated that he felt that if the railroads in the early days of the Interstate Commerce Commission had been active in their cooperation with the commission in working out the spirit of the regulatory statutes it would have been very much better both for the commission and for the railroad and for the public at large.

The CHAIRMAN. Do you not think that is generally conceded now by railroad men, Mr. Butler?

Mr. BUTLER. I should think they would be ready to concede it, Mr. Chairman.

The CHAIRMAN. But at the time when the commission was getting under way and adopting its principles and practices it was criticized and abused by the railroads, was it not?

Mr. BUTLER. By the railroads, I think it was.

Senator NORRIS. Do you think that cooperation, if such a committee had been appointed by the railroads, would have resulted in different decisions by the Interstate Commerce Commission?

Mr. BUTLER. I do not know that it would have resulted in different decisions, but I suppose it is only natural to believe that if there had been a high degree of cooperation between the regulating body and the regulated, there would have been fewer decisions for the commission to make and a less opportunity—

Senator NORRIS. That would not have been true, would it, unless the committee had had an influence on the commission, so as to have them more favorable to their viewpoint?

Mr. BUTLER. I do not believe that it would be possible for such a railroad committee to reflect in its relationship with the Interstate Commerce Commission to any considerable degree any interest that was selfish so far as the railroads were concerned.

Senator NORRIS. Well, what would have been the object of their association with them if it would not be to influence them?

Mr. BUTLER. It seems to me, Senator, that we are all coming to realize that cooperation along broad lines is the best way to accomplish selfish ends.

Senator NORRIS. Yes; probably that is true.

Mr. BUTLER. And that was the attitude of the Federal trade committee, in part, when it was organized; and I think that was the view that Mr. Wheeler endeavored to express.

Senator NORRIS. I did not have reference to that when I asked you about the Interstate Commerce Commission.

The CHAIRMAN. I would like to interject there the question whether they were disappointed in that.

Senator NORRIS. Well, he says that there was a general feeling they would have gotten along better with the Interstate Commerce Commission if they had had some committee, when that commission was first organized, to cooperate with them. I can not see why they could have expected better results, unless that committee had influenced the Interstate Commerce Commission to be more favorable to the railroads than they were.

The CHAIRMAN. I got that point; but he remarked just now that cooperation in a broad way was the best method of accomplishing selfish ends, and I wondered whether they were being disappointed in that at the present time.

Mr. BUTLER. As between the Federal trade committee and the Federal Trade Commission; yes; there is at the present time a great disappointment, and the reasons for it I hope to be able to make clear shortly, if you will pardon me.

The CHAIRMAN. Let me interject one thing there. Do you not think the railroad men, when the Interstate Commerce Commission was first organized, were really trying to resist an irresistible tendency?

Mr. BUTLER. I think so.

The CHAIRMAN. They were bucking the inevitable?

Mr. BUTLER. I think so.

The CHAIRMAN. And when they found out it was inevitable they submitted with more or less grace.

Senator NORRIS. They were opposing regulation. Was not that the whole thing in a nutshell?

Mr. BUTLER. Entirely so, in every phase of it. And that is something that the business interests of the country have not done and are not doing now and do not propose to do.

Senator KENYON. Now, Mr. Butler, I think if you would give us the members of this committee—are you through with that historical view?

Mr. BUTLER. Very nearly. The only changes in the membership of the committee—

Senator KENYON. Who are the committee now?

Mr. BUTLER. Mr. William J. Dean, of St. Paul, Minn.

Senator KENYON. What is his business?

Mr. BUTLER. He is in the heavy hardware jobbing business—iron and steel. Mr. Koch, of Toledo, is still a member. Mr. Saunders is still a member. Mr. Saunders is, and has been for some years, vice chairman of the Naval Consulting Board.

The CHAIRMAN. He is with what concern?

Mr. BUTLER. Ingersoll & Rand.

The CHAIRMAN. What is that?

Mr. BUTLER. A large manufacturing concern of iron and steel, with offices in New York—mining machinery.

Senator KENYON. What is the business of Mr. Koch, of Toledo?

Mr. BUTLER. He is president of a dry goods store, the largest in Toledo, and he is, or was, president of the National Dry Goods Dealers' Association.

Prof. Seager, of Columbia University, is now with the Shipping Board in Washington and Philadelphia. Alexander W. Smith, a lawyer, of Atlanta, is still a member. Dr. White is still on the committee. Two new members of the committee are Silas P. Adams, of Portland, Me., whom I have never met and who has not met with the committee, and of whom I never heard until he was appointed; and Mr. William C. Coffin, of Pittsburgh. His company is the Blaw-Knox Co., a manufacturer of iron and steel specialties of some kind; I do not know what kind. He is vice president of that company.

Senator KENYON. And yourself?

Mr. BUTLER. And myself.

Senator NORRIS. You are chairman of the committee?

Mr. BUTLER. I am.

Senator KENYON. Was this report submitted to all these members of the committee before it was promulgated and published?

Mr. BUTLER. The original draft of this report—I won't say "original draft"—it was written and rewritten. But the draft that originally went to the board of directors was sent to each member of the committee before it was submitted to the board, and approved by each member of the committee.

The CHAIRMAN. Who was the draftsman of that report?

Mr. BUTLER. I drafted the first several copies of the report, and when it came to writing the final report and redrafting, Mr. Redpath, the secretary of the committee, was very helpful and provided the data which you will find on the margin of each page, giving the reference from official records in support of the statements of facts contained there.

Senator KENYON. Mr. Butler, was this report suggested by different members of the chamber of commerce, or did you initiate the idea of making this report?

Mr. BUTLER. I have no objection to stating the facts with reference to it, so far as I know. I originated it last winter, while Mr. Heney was conducting his investigation.

Senator KENYON. After the report was issued by the commission on the packers, did you have any complaints from the members of the chamber of commerce as to this report concerning the packers? Were letters written in to you?

Mr. BUTLER. I saw none and heard of none. I do not believe there were any such. You mean complaining about our report?

Senator KENYON. No; I refer to the complaint of the packers.

Mr. BUTLER. No, Senator; that was not a circumstance in connection with the preparation of this report.

Senator KENYON. But you refer to it.

Mr. BUTLER. There is less than a page concerning the packers in this report of 10 pages.

The CHAIRMAN. You said it had its inception when Mr. Heney was conducting his investigation. You refer to his investigation of the packers?

Mr. BUTLER. Yes, Senator.

Senator KENYON. He was investigating under the Federal Trade Commission, was he not?

Mr. BUTLER. He was. I think I should complete my statement with reference to the commission and the committee, in order to make it clear. Our committee met with the commission numerous times as a committee; with the commission as a commission. In smaller groups we met frequently and discussed numerous matters that were of common interest. For the first year and a half of the existence of the commission the conduct of the commission was, it seemed to us, entirely in line with the spirit of the law——

The CHAIRMAN. You say it was or was not?

Mr. BUTLER. We felt that it was.

The CHAIRMAN. Up to what date?

Mr. BUTLER. Well, up to about the time that the attitude of the commission seemed to be changing, as indicated by its report in the news-print paper investigation. That was in February or March, or perhaps in April, of 1917. When that report appeared our committee met in Washington, asked for and obtained a conference with the commission, and we told the commission frankly that some of the language contained in the report was unfortunate, as expressing an attitude that we had not known to exist in the commission. We referred particularly to specific passages in the report, and were given definitely to understand that those passages did not indicate any changed attitude on the part of the commission.

Senator NORRIS. Your complaint was, as I understand, not as to the substance but as to their manner of expression?

Mr. BUTLER. Both, Senator. In that report they said that they had acted as arbiters on behalf of the manufacturers of news-print paper. They said it was beyond their jurisdiction, which it was. They found themselves in the humiliating position of having their award ignored and being unable to enforce it, and they wasted six months or a year in getting themselves into that position.

Senator NORRIS. That might all be true, but still they might have said things that were true and proper but in language that might have been offensive.

Mr. BUTLER. I think, Senator, that goes to the substance of the thing. I do not believe the Federal Trade Commission has any business to undertake to act as arbiter in any industry or to endeavor to do anything that the Congress has not authorized it to do.

Senator NORRIS. Yes; that is true. But still that would not demonstrate that anything they said or any opinion they may have given was not fair, even though it might have been expressed in language that some one might criticize.

Mr. BUTLER. I endeavored to reply as to the substance of the report in that answer. This is true, that the resolution of the Senate under which that investigation was conducted called upon the commission to ascertain whether there were unfair methods of competition employed in the news-print industry. That is all the resolution asked.

The CHAIRMAN. Do you not think the assumption of that power would be in harmony with the tendency of the times?

Mr. BUTLER. I do not know that it was so fashionable a year ago, Senator.

In response to that simple resolution—I have not my data here, I am sorry, but I think I can quote it from memory. The commission came back and said it was reporting—and it referred to your resolution—on unfair methods of competition and violations of the Sherman law, and they were not asked by you to report on violations of the Sherman law, and they had no authority to report on them under the resolution of Congress, as I understand it. I assume it is within the province of the Senate to ask them for it, but that was purely voluntary on the part of the commission.

The commission then went on to say that in the carrying out of the terms of your resolution it had exercised its full powers and had searched and found correspondence of men engaged in this industry and had turned over the facts obtained to the Department of Justice. I could not conceive of any clearer change of attitude of the commission than that statement, and I could not conceive of any position the commission could take that was more directly contrary to the spirit of the law at the time it was enacted than that.

Senator NORRIS. Admitting, for the sake of argument at least, that they had gone beyond their jurisdiction, if in going beyond it they found something that was wrong and so stated, was your committee objecting to that rather than objecting to its exceeding its jurisdiction? If it had exceeded its jurisdiction, it seems to me the only persons who would have the right to make complaint of it would be the people who were directly interested in it, who were parties to the investigation.

Mr. BUTLER. Well, Senator, I think, broadly, the people of the country and the Congress of the United States are interested to know that this commission does the things that it was authorized to do and does them well.

Senator NORRIS. I agree with you. Yes; that is right.

Mr. BUTLER. We do not object to the fact. I do not object to the fact that they turn over what they find to the Department of Justice if that is the way to bring about the best remedy. But there

was not anything in your resolution asking them to communicate with the Department of Justice. There was not anything in your resolution which would require them to do other than exercise their own powers in a way to help bring about a correction of the evils they found. Now, instead of exercising their powers, which were ample, they set themselves up as arbiters, as they say, on the one hand, and wasted a year; and on the other hand, used their powers to go through the private correspondence of these men and then turn over the facts thus obtained to the Department of Justice.

Senator NORRIS. I can see how they might have exceeded their jurisdiction and been subject to criticism for doing it. Of course, if they did it they had no right, but if while they were exceeding their jurisdiction they discovered something that was criminal in its nature, even conceding now that they had exceeded their jurisdiction, there would not be any ground for complaint in their turning that over to the Department of Justice, would there?

Mr. BUTLER. I do not know that there would, Senator, if they had exercised their jurisdiction in a proper, helpful, constructive, up-building manner; but they did not do that. And they run over to the Department of Justice with this information, and then come out in this report and gloat about it. That is pretty plain language, but it is the fact.

Senator NORRIS. That is what you consider as the time when they commenced to change their attitude and go wrong?

Mr. BUTLER. Yes; at that time we called their attention to their changing attitude toward trade associations. I have had something to do for some years with numerous associations. I am frank to say I do not know how the Government could have done 25 per cent as well as it has done in its war program if these trade associations had not begun to exist some years before the war came on. The attitude of the commission toward those trade associations was exceedingly helpful and favorable for the first year or two of the existence of the commission. Since that time it has seemed to feel that every trade association that came along was usurping the functions of the commission, and that it ought to be the trade association for all the business of the country.

Senator KENYON. The change has come with the change of personnel of the commission?

Mr. BUTLER. We state in our report that with the change in the personnel there has been a change in interest, and that is true to a very large extent.

Now, we make some excursions here occasionally. Of course, I am glad to answer your questions.

Senator NORRIS. I realize we are not directly on the question, but still the questions we have asked you have been in reference to the things that you yourself have been speaking about.

Mr. BUTLER. Entirely so; I quite agree.

Now, after this meeting with the commission—I think it was in April, 1917—we had no further meeting with it for some time. The war was on and everybody was busy. Last winter this investigation of the packers was started, and I was interested in it, just as a citizen, that is all—as a member of the Federal trade committee—and I took the matter up with Mr. Wheeler. It resulted a few weeks later in the

holding of a meeting of our committee in Chicago to consider what should be done. We decided to have a meeting with the commission as soon as possible and take up that situation and discuss it with them. Before we got around to having our meeting with the association, Mr. Heney's connection with the investigation was severed, according to announcement in the public press.

Senator NORRIS. That was before the report was made?

Mr. BUTLER. Oh, yes; this was in April, I think.

The CHAIRMAN. Do you know why his connection with the commission was severed?

Mr. BUTLER. I do not, Mr. Chairman.

Senator KENYON. You speak of his salary as special counsel at the rate of \$30,000 a year and expenses?

Mr. BUTLER. Yes, sir.

Senator KENYON. Was he receiving any such sum as that?

Mr. BUTLER. That is what he was receiving, by vote of all the members of the commission except the chairman, Mr. Harris. Mr. Harris voted for his employment but refused to vote for his salary at that rate.

Senator KENYON. How long did he serve?

Mr. BUTLER. Several months.

Mr. REDPATH. Approximately nine months, I believe. He was employed before then by the commission. What his salary was then I do not know.

Senator KENYON. Did your committee complain to the President about Mr. Heney?

Mr. BUTLER. To the President?

Senator KENYON. Yes; about Mr. Heney's actions?

Mr. BUTLER. To the President of the United States? Not except through this report, if the President has seen this report.

Senator KENYON. But this was long after Mr. Heney had left the service of the commission, was it not?

Mr. BUTLER. Oh, yes. I was going to say that about that time, before we had an opportunity to meet with the commission to go over the conduct of that investigation, Mr. Heney's connection with it was severed.

The CHAIRMAN. Have you any idea what the packers were paying their attorneys?

Mr. BUTLER. I have not the slightest idea. I do not know who the packers' attorneys were.

Senator NORRIS. When you started this investigation and your committee met, that was before the commission had made any report?

Mr. BUTLER. Oh, yes.

Senator NORRIS. What was it that induced you to start that?

Mr. BUTLER. The newspaper accounts of Mr. Heney's personal conduct.

Senator NORRIS. You thought, from what you gathered from the newspapers, that the conduct of Mr. Heney in this investigation was not right, and you took these steps in order to make some investigation in regard to it?

Mr. BUTLER. That is just exactly so, Senator.

Senator NORRIS. Outside of your committee, was there any request that the committee should take such action? Did the packers have any hand in that?

Mr. BUTLER. None whatsoever; I initiated that personally myself. Senator NORRIS. That was voluntary?

Mr. BUTLER. While I was here working in Washington in the Treasury Department.

Senator NORRIS. Was that within the scope of the jurisdiction of your committee? Was it part of the business of this committee when it saw an investigation going on that it did not think was right to immediately take some steps to do something about it?

Mr. BUTLER. Yes; I felt so, Senator. I feel that it is the province of this committee to cooperate with the commission to the end that the spirit of this law may be reflected in the commission's conduct.

Senator NORRIS. Exactly. Now, you did not have any objection to the investigation they were making?

Mr. BUTLER. None whatsoever.

Senator NORRIS. Only to the method?

Mr. BUTLER. Entirely; that is all.

Senator NORRIS. And that is why this committee met, in order to take some steps, probably, to prevent the carrying on of the investigation in the way it was being carried on?

Mr. BUTLER. That was the only thing.

Senator NORRIS. You wanted, as I understand it, to get a meeting with the commission in order to stop that kind of investigation, or that method of investigation?

Mr. BUTLER. That was the only thought I had in mind in suggesting that our committee meet.

Senator KENYON. Mr. Wheeler, I think, was the one you said suggested to you getting up this pamphlet?

Mr. BUTLER. No; I did not state that, Senator.

Senator KENYON. I thought you said that a while ago, that Mr. Wheeler talked to you about this pamphlet at the time of the Heney investigation.

Mr. BUTLER. No; I talked to Mr. Wheeler about it; I took it up with him.

Senator KENYON. Is Mr. Wheeler connected with the packers in any way?

Mr. BUTLER. I think not. He is vice president of the Union Trust Co. bank in Chicago.

Senator KENYON. Do you know anything about their loans to the packers?

Mr. BUTLER. I believe I know all the members of the board of that institution, and I do not believe there is a packer on it, or a packer's representative.

Senator KENYON. Do you know anything about the loans of that institution?

Mr. BUTLER. Oh, no; I do not.

The CHAIRMAN. What bank is that?

Mr. BUTLER. The Union Trust Bank, of Chicago, one of the conservative institutions of the city.

Because of Mr. Heney's withdrawal from the investigation, as we understood the press reports to indicate, we were rather slow in getting together with the commission. The storm apparently was over. But, in perfect frankness—now, this seems to be revolving around the packers—when the newspapers said complaints had been filed against Wilson & Co. and Morris & Co., and no notice had been given to those people about the complaints, that the commission had



them under consideration, and that the complaints themselves did not specify anything as a violation of the law, I endeavored personally to ascertain what the facts were. And when I found that those were the facts I called a meeting of our committee, which was held in Washington, and we met with the commission the same day, and we told the commission in no unmistakable language what we thought about the situation.

The CHAIRMAN. Can you give us an idea now of what you conveyed to them as your thought on the situation?

Mr. BUTLER. There were six or seven of us there of the committee, including Mr. Wheeler, who at that time was not a member of the committee, but was president of the chamber. and all three of the present commissioners were there. I talked for probably 15 or 20 minutes, and when I came to this particular subject I told them that the conduct of Mr. Heney in this matter was an outrage. I told them that it was an outrage on the commission, that it was an outrage on the business interests of the country, and an outrage on the laws of the democracy. One of the commissioners said, "Mr. Butler, I suppose you do not know that what Mr. Heney did was by direction of the commission and with the commission's authority?" I said, "No; I did not know it, but, of course, we are glad to know where the responsibility rests." I had assumed, however, that his conduct was a sort of personal thing with Mr. Heney, but it transpires that it was not. There were many other things said there, but that was the substance of it.

Senator NORRIS. Did the commission give you gentlemen to understand that they would continue the investigation differently afterwards? Did you convince them, in other words, that they had been doing wrong?

Mr. BUTLER. No, Senator. We talked to them about the abuse of publicity, about filing these complaints, and saying nothing that except during the past year meat known to the packers to be unfit for human consumption had been sold to the United States Government. They did not say when, where, what, how, or who, or anything about it. I know the newspaper reports sent out the same day, authorized by the commission, told the story when, where, and what, and the story, I understand, was entirely, absolutely, wholly untrue, and has so been proven in the hearing.

The CHAIRMAN. Did the commission concur in your criticism?

Mr. BUTLER. Mr. Chairman, the commission indicated no idea of changing its course of conduct in any way whatsoever.

The CHAIRMAN. But they did?

Mr. BUTLER. They have not. They specifically renounce any idea of retreating in their packers' report, and conclude by saying that the conduct of their counsel was very much better and on a higher plane than that of counsel for the defense.

The CHAIRMAN. They dispensed with his services, did they not?

Mr. BUTLER. I do not know, Mr. Chairman.

The CHAIRMAN. Mr. Heney is not connected with them any more, is he?

Mr. BUTLER. He is not.

The CHAIRMAN. How soon after this interview in which you delivered this speech did Mr. Heney sever his connection with the commission?

Mr. BUTLER. It was before that, Senator.

The CHAIRMAN. You said the burden of your complaint was the manner of Mr. Heney conducting the investigation. That had ended, had it not? You said you did not object to the investigation but to the manner of the investigation.

Mr. BUTLER. Yes.

The CHAIRMAN. So when you delivered this speech to the commission the object of your complaint had terminated?

Mr. BUTLER. On that specific matter, but there were other matters we talked with them about for some time. But we desired not to have a recurrence, if it was in our power to prevent it, of his performance.

The CHAIRMAN. Have you made any effort to have the investigation continued since Mr. Heney's retirement from it?

Mr. BUTLER. No; none whatever.

Senator NORRIS. I want to ask you about that newspaper report you said they gave out that day that was entirely untrue. I think you ought to be a little more specific about that. Did they know it was untrue when they gave it out? Was there any malice?

Mr. BUTLER. I suppose not, Senator.

Senator NORRIS. That ought to be in the record, I think.

Mr. BUTLER. Oh, yes; certainly. I would not say that any of the commissioners would tell an untruth. What I am saying here is that the whole of it was directed to the spirit in which this law is being administered.

The CHAIRMAN. Was it an untruth?

Mr. BUTLER. Yes; it was, Senator Gore.

The CHAIRMAN. There had been no meat of that sort sold?

Mr. BUTLER. I am referring now to some chickens that were sold. The facts with reference to the chickens were these: The story that was given out was that these chickens were rejected by the Government and that they were unfit for human consumption, and known by Wilson & Co. to be unfit.

The facts are that the commissary at some camp in Texas—I have forgotten which camp—contracted to furnish fresh chickens for the soldiers at this camp Sundays. One Friday it was short of chickens for Sunday 800 pounds. The commissary called up the representative of Wilson & Co. locally, told him the fix he was in, and asked the Wilson man if he could get 800 pounds of live chickens for Sunday dinner. Wilson's man said, "We are not in that business, but we will see what we can do, and do the best we can for you." They knew nothing about the specifications. They got the chickens on Friday, and they were killed either Friday night or Saturday morning, immediately after feeding, with full crops. They were delivered by Wilson to the camp and rejected, because the man had no right, under the regulations, to pay for this grain that was in the crops of the chickens. The chickens had not been killed 24 hours when they were delivered. They were rejected because of their full crops. They were not storage chickens.

The CHAIRMAN. Senator Kenyon, Mr. Walker is here from New York, and I understand he has an engagement for to-morrow.

Senator KENYON. Mr. Butler, you have given the list of the committee?

Mr. BUTLER. Yes.

Senator KENYON. I think we had better hear Mr. Walker, then.

Senator NORRIS. Before Mr. Butler leaves the stand I would like to have him clear up just one little thing in justice to the commission. This report that you say was untrue was a newspaper report?

Mr. BUTLER. Yes.

Senator NORRIS. Now, you do not pretend to hold the commission responsible entirely for what appeared in the newspapers? Or have you any evidence to show that the newspapers published the article as they got it from the commission or any member of it?

Mr. BUTLER. That is my understanding, that the publicity with reference to the facts upon which the complaints were based was provided by the commission at the time the complaints were filed.

Senator NORRIS. Do you know now that this report published in the newspapers was approved by the commission, or have you any evidence of it that is reliable?

Mr. BUTLER. I have a copy of it in my files.

Senator NORRIS. You have a copy of the newspaper report. Is not that it?

Mr. BUTLER. No; I have a copy of the story that was released by the commission for publication.

Senator NORRIS. Is there evidence that the commission did do it? I would hate to convict anybody on a newspaper report.

Mr. BUTLER. The commission gave it the publicity. I do not know that the members of the commission themselves knew what the situation was.

Senator KENYON. Mr. Butler, it was suggested on the floor of the Senate, perhaps in a roundabout way, that the packers may have had a good deal of influence through the chamber of commerce in this reply that you made. Now, just in a general way, are the packers very influential in the chamber of commerce?

Mr. BUTLER. So far as I know they have absolutely no influence. They have never endeavored to exercise any to my knowledge.

Senator KENYON. Are they contributors to it?

Mr. BUTLER. I do not know whether they are members or not, but the records of the chamber will show.

Senator KENYON. You have records of all contributors?

Mr. BUTLER. I do not know. I can say that the packers had no influence in this report and knew nothing about it until two months after I had been working on it, when I took it up with one or two of them after I had avoided them studiously to check up information.

Senator KENYON. But the report did start—the initiative was in the Heney investigation? That started you?

Mr. BUTLER. That started me; yes, sir.

Senator KENYON. We may want to hear you further, Mr. Butler, but Mr. Walker wants to get away.

**STATEMENT OF MR. ALLEN WALKER, NEW YORK MANAGER FOR THE CHAMBER OF COMMERCE OF THE UNITED STATES, WOOLWORTH BUILDING, NEW YORK CITY.**

Senator KENYON. Mr. Walker, do you have anything to do with soliciting funds for the chamber of commerce?

Mr. WALKER. Not now; I did at one time.

Senator KENYON. At what time?

Mr. WALKER. When the chamber was first inaugurated.

The CHAIRMAN. When did you terminate that capacity?

Mr. WALKER. I do not exactly remember when, Senator. I have not been soliciting or directing others who have solicited for about a year.

The CHAIRMAN. Just what are your functions?

Mr. WALKER. Just simply secretary of the eastern district, handling all the correspondence and affairs of the chamber that come through that office. The chamber, as you probably know, has three or four district officers throughout the country.

The CHAIRMAN. Located where?

Mr. WALKER. One in Chicago, one in San Francisco, and one in New York.

The CHAIRMAN. Then, your office is rather clerical in its nature?

Mr. WALKER. Yes; it is to represent the chamber's interests in the specific territory and to keep in touch with all the various business interests and to help organize the industries and assist the various trade associations with information that are represented in that territory.

Senator KENYON. You have an office in Washington?

Mr. WALKER. The headquarters are in Washington.

Senator KENYON. Does the chamber of commerce do anything toward influencing legislation here?

Mr. WALKER. Not that I know of, sir, except as is indicated in its documents and reports which are all public.

Senator KENYON. At the time you were connected with raising funds—that was back in 1915 and 1916?

Mr. WALKER. Well, if I may explain, sir. In 1912, you know, the chamber was inaugurated, and after the convention had taken place in Washington the chamber set out to secure members. As a means of sending out properly equipped men to secure members, it solicited with the help of the directors of the chamber, and sought funds from the leading business interests of the country—when I say “leading business interests” by that I mean the larger firms who were handy and more likely to be responsive—to form what was called an organization fund, which should be a kind of capital fund, enabling the chamber to employ the necessary men to go out and secure memberships and educate the business men of the country as to what this new movement in commercial organization really meant to the country.

The CHAIRMAN. Can you name some typical firms that you obtained members from?

Mr. WALKER. Everybody was eligible.

Senator KENYON. Did you have what you called a “big list”—big contributors?

Mr. WALKER. No; not in a specific sense.

Senator KENYON. Did you have anything you called the “big list”?

Mr. WALKER. If I remember, there was a list of firms whose resources were considered such as to enable the chamber to more quickly secure an aggregate sum which would make up the capital fund.

The CHAIRMAN. Give us a typical one.

Mr. WALKER. I do not think I could give you what you would call a typical one, except to say the leading firms in every industry were considered capable of responding quickly.

Senator KENYON. Did you have what you called an emergency fund?

Mr. WALKER. The emergency fund, if we called it by that name, Senator, was the same as what I call the capital fund; that is, a fund that you might call the nucleus—

Senator KENYON (handing a paper to the witness). I want to show you a copy of a letter that has come to my attention, and ask you if you wrote that letter with a special list. You can tell if that is the list. The pencil notations are my own.

Mr. WALKER. Yes, Senator; this is what we call the special list of 100.

Senator KENYON. And that letter was written by you, was it, or the original of it?

Mr. WALKER. It easily may have been, Senator. It is back in 1915. I do not remember the actual letter, for the reason that there were letters written to firms by members of the field staff who were soliciting and who were writing letters to what we called their prospects—people they were following up—and they occasionally signed my name.

Senator KENYON. But you were writing that kind of letters?

Mr. WALKER. We were writing letters soliciting funds.

Senator KENYON. Now, will you say whether you wrote that letter or not?

Mr. WALKER. That, Senator, I can not possibly do; I can not say whether this is my particular letter.

Senator KENYON. Would you say you did not write it?

Mr. WALKER. No, sir; I will not.

Senator KENYON. I want you to read the letter, so it can go in the record. In any event, it was the kind of letter you were sending out?

Mr. WALKER. Obviously.

Senator KENYON. I wish you would read the letter and the special list so it can go in the read.

Mr. WALKER (reading):

CHAMBER OF COMMERCE OF THE UNITED STATES.

*New York, N. Y., October 20, 1915.*

DEAR MR. ———: I have your nice letter of October 19, and fully appreciate the spirit in which it is written.

I know just how much it might mean to have Mr. Fahey drop in and meet the officers of your company, because—"in brass tacks"—such an occasion simply means using a coach and four instead of a buckboard in which to approach the given destination, but it is just as impossible to conceive a fixed date on which Mr. Fahey could make such a visit as it would be for you to say exactly what time you will be in London—though you probably hope to be there one of these days.

I have heard Mr. Fahey say how much he would like to drop off and visit with you and go through your great and interesting factory anyway, and that he would try and do it on the way of Washington, but when he says it I know there is little hope of his doing it at an early date, because the man is simply driven beyond all human possibility of keeping pace with the demand upon his time and service.

What I should like to know from you personally and frankly is whether or not the chance of your company's being registered upon the "big list" with the other corporations who have agreed to subscribe \$1,000 a year for three

years, has to await the possibility of a visit from Mr. Fahey, because if it has I might as well cross it off the list of prospective subscribers between now and the annual meeting in February.

I send you herewith an up-to-date list of the leading men and corporations who are subscribing in this group, and I think you will admit that it represents a classification of the real leaders of industry, which you are invited to join.

If it be a question of proportionate share over which your associates are hesitating, I would simply point out that the men who have initiated this emergency fund decided, after much deliberation, that this was the only prompt big way in which to handle a big thing. You know, I think, what sacrifices of money, time, and labor Mr. Fahey and his associate directors are making. Mr. Wheeler secured a year's leave of absence from his bank to devote to this work and gave personal service that could not possibly be purchased in the open market for \$50,000. He spent at least \$10,000 out of his own pocket in personal expenses to travel the whole country! There is no other answer. Yet Mr. Wheeler himself has gone down on this special list for \$1,000 a year for three years.

The point I wish to make—and I did not mean to dwell on it at such length—is that some of our corporation interests do not seem to grasp that this is their game—their concern—it is their plea. They know the work has to be done and that some one has to do it, yet they hesitate to help generously.

Is it any wonder that our "organized commerce" has been such a nonentity for years past?

Yours, very truly,

(Signed) ALLEN WALKER,  
For the Executive Committee.

Senator KENYON. Will you read the list that you attached to that letter; that is what you call the "big list"?

Mr. WALKER. This is the big list.

Senator KENYON. A list of the big contributors, is it not?

Mr. WALKER. It meant the list of one hundred. I may say, in explanation, that we sent it out as a means of securing this capital fund, to those firms who might be expected to respond most generously and quickly.

Senator KENYON. And these are the ones who furnished the funds to support the Chamber of Commerce of the United States, are they?

Mr. WALKER. These are the ones who were solicited; most all of them, I think, responded.

Senator KENYON. The list of those that you gave were those who subscribed?

Mr. WALKER. There are not 100 here [indicating list], but these are the ones that responded.

Senator NORRIS. These are the ones who agreed to pay \$1,000 a year each for three years.

Mr. WALKER. These are the ones who agreed to pay \$1,000 each for three years to establish the capital fund which was to guarantee the expenses of the chamber of commerce.

Senator NORRIS. And which you denominate in the letter the "emergency fund?"

Mr. WALKER. Yes, sir.

Senator KENYON. That is, to support the chamber of commerce.

Mr. WALKER. To carry on the work pending receipt of dues from the membership, to carry it on automatically.

Senator NORRIS. In addition to this \$1,000 a year that you got from that big list, all the members had to contribute a specified sum annually, did they not? In other words, that fund was not the only money that you had to carry on this chamber of commerce?

Mr. WALKER. That was not. This was the capital fund secured prior to the membership dues; the membership dues, \$25 a year, for one form of membership, and \$100 a year for another, being insufficient alone. This capital fund has ceased, now that the dues are sufficient; do you understand?

Senator NORRIS. Yes.

Senator RANDELL. Could you tell us how much you raised as a capital fund?

Mr. WALKER. I think that the total capital fund raised for three years was \$100,000, but I am only speaking from memory.

The CHAIRMAN. Is that per year?

Mr. WALKER. Yes, sir; per year.

Senator RANDELL. The capital itself was only \$100,000?

Mr. WALKER. This fund was only \$100,000.

Senator RANDELL. That gave you \$300,000 as capital—

Mr. WALKER (interposing). Over three years.

Senator RANDELL. Over three years, you had a capital of \$300,000?

Mr. WALKER. Yes; but each year's money was spent in the activities of the chamber during the year.

Senator KENYON. It was not invested in any way?

Mr. WALKER. No, sir.

Senator RANDELL. No; it would not be invested, naturally.

Mr. WALKER. No; the words "capital fund" are really erroneous; it was simply a nucleus for expenditures.

Senator KENYON. An emergency fund?

Mr. WALKER. An emergency fund; and the words "emergency fund" we interpreted, when we were asked about it by some of those to whom we wrote, as being a fund enabling us to carry on the activities of the chamber of commerce pending the dues from members being sufficient to do so alone.

The names on this list are Thomas F. Ryan, New York; Eastman Kodak Co., Rochester—and I want to draw your attention to the geographical distribution of this list.

The other names on the "Special list of one hundred" are Harry A. Wheeler, Chicago; Packard Motor Co., New York; Great Northern Railroad; Edward A. Filene, Boston; General Electric Co., Schenectady; Hupp Motor Co., Detroit; American Telephone & Telegraph Co., New York; Armour & Co., Chicago; National City Bank, New York; Michigan Sugar Co., Detroit; International Harvester Co., Chicago; Kuhn, Loeb & Co., New York; Southern Pacific Railroad; International Paper Co., New York—

The CHAIRMAN. Wait a minute, Mr. Walker, is that the paper company that was under investigation by the Federal Trade Commission—or one of them?

Mr. WALKER. I assume so. As you know, this list was made away back in 1915.

The CHAIRMAN. Yes.

Mr. WALKER. I will now continue to read from the list [reading]:

New Jersey Zinc Co., New York; John D. Rockefeller, Jr., New York; Pettibone Mulliken & Co., Chicago; M. K. & T. Railroad, New York; Francis L. Ieland, New York; Erie Railroad Co., New York; Cadillac Motor Co., Detroit; National Cash Register Co., Dayton; Yale & Towne Manufacturing Co., New York; United Fruit Co., Boston; Ford Motor Co., Detroit; Corn Products Manufacturer's Association, Chicago; Wm. Cramp & Sons Ship and Engine Building Co., Philadelphia; Swift & Co., Chicago; Quaker Oats Co., Chicago—

The CHAIRMAN. Are those subsidiary manufacturing concerns?

Mr. WALKER. Which one?

The CHAIRMAN. The Quaker Oats Co.

Mr. WALKER. I do not know.

Mr. BUTLER. It is not, Mr. Chairman.

Mr. WALKER (reading):

Delaware & Hudson Co., New York; United Gas Improvement Co., Philadelphia; Cambria Steel Co., Philadelphia; American Coal Products Co., New York; Newport News Shipbuilding Co., Newport News, Va.; Fore River Shipbuilding Corporation, Quincy, Mass.; Sears Roebuck & Co., Chicago; William Morris & Co., Chicago; The Sherwin-Williams Co., Cleveland; The American Sugar Refining Co., New York; Brown Bros., Philadelphia; Curtis Publishing Co., Philadelphia; The White Co., Cleveland; New York Shipbuilding Co., Camden, N. J.

Senator KENYON. I see where Armour & Co., Swift & Co., and Morris & Co. were all contributors to your "emergency fund."

Mr. WALKER. Yes, sir. Might I say, in explanation of this letter, that I have no objection whatever to claiming responsibility for the authorship of this, but I am simply unable to say that I personally wrote it; it may have been written by a member of the staff and signed by me.

Senator KENYON. If you say it is not your letter, we will have subpoenaed some of the concerns to which it was written.

Mr. WALKER. No; I have no objection whatever to calling it my letter; I simply say that I am not prepared to say specifically that I personally wrote it.

Senator KENYON. Can you tell the committee how many of this special list that you have enumerated are connected with the packers, or concerns affiliated with the packers, or banks loaning the packers money?

Mr. WALKER. I would be absolutely unable to say anything except that the firms that are listed there as packing firms, such as Armour & Co. and Swift & Co., are in the packing business. Outside of that I know of no connections.

The CHAIRMAN. The National City Bank was not on that list, was it?

Senator KENYON. It is.

The CHAIRMAN. Well, Mr. Armour is on their board of directors.

Mr. WALKER. That I do not know. I have never made any investigation or inquiry concerning the affiliations of the firms with other industries.

Senator KENYON. Let us go back a minute to the letter. This letter was sent out on the letterhead of the Chamber of Commerce of the United States, was it not?

Mr. WALKER. I think it was.

Senator KENYON. Who was president of it at that time?

Mr. WALKER. Mr. Fahey, I think.

Senator KENYON. And Mr. Wheeler is president of it now?

Mr. WALKER. Mr. Wheeler is president now and was the original president.

Senator KENYON. Mr. Wheeler is president of the Union Trust Co. of Chicago, is he not?

Mr. WALKER. Vice president.

Senator KENYON. He is vice president of it?

Mr. WALKER. He is a vice president of it.



Senator KENYON. Do you know how much the loans of the Union Trust Co. to the packers amount to?

Mr. WALKER. Not in any sense.

Senator KENYON. You can not give us any information about that?

Mr. WALKER. I do not know anything about that.

Senator KENYON. Mr. Defrees was chairman of the executive committee—just what was his position?

Mr. WALKER. Mr. De Fries was chairman of the executive committee last year; I do not know whether he is now.

Senator KENYON. He is a member of the firm of De Fries, Buckingham & Heaton, is he not?

Mr. WALKER. I believe so; I am not sure.

Senator KENYON. They are counsel for the packers, are they not?

Mr. WALKER. Not to my knowledge.

Senator KENYON. Was not Col. Buckingham counsel for the packers in the case in 1912?

Mr. WALKER. I do not know. You see, I am in New York and have no knowledge of these things.

Senator KENYON. I thought you might know some of them. Mr. McRoberts was vice president of the chamber of commerce, was he not?

Mr. WALKER. Mr. Samuel McRoberts was vice president.

Senator KENYON. He is a director of Armour & Co., is he not?

Mr. WALKER. That I do not know.

Senator KENYON. Do you know that he is not?

Mr. WALKER. That I do not know.

Senator KENYON. Do you know if he had anything to do with the reorganization of Wilson & Co.?

Mr. WALKER. I have no knowledge whatever about that.

Senator KENYON. Of course, if the packers themselves were contributing to the support of the chamber of commerce, and others were contributing who were affiliated with the packers, either through banks or by reasons of loans, and the chamber of commerce then found fault with the report to the Federal Trade Commission, it would be entirely proper for Congress, in giving weight to that fault so found by them, to consider those facts, would it not?

Mr. WALKER. I do not feel myself competent to express any opinion on that subject. I think it might enlighten you, Mr. Chairman, if I were permitted to furnish you with the instructions which were given to the field staff and heads of branch offices of the chamber of commerce regarding the solicitations.

The CHAIRMAN. I would be glad if you would do that and also furnish the list of those who subscribed \$1,000 a year for three years subsequent to the sending out of the letter to those on the list.

Mr. WALKER. Yes, sir.

Senator KENYON. Thomas F. Ryan is the first name on your list?

Mr. WALKER. Yes, sir.

Senator KENYON. Do you know anything about the trust companies that he is director of?

Mr. WALKER. No, sir.

Senator KENYON. So that you could not give us any information as to the amount loaned by any of the trust companies of which he is a director to the packers?

Mr. WALKER. No, sir; I had nothing to do with his companies.

Senator KENYON. The Eastman Kodak Co. is the second one on your list?

Mr. WALKER. Yes, sir.

The CHAIRMAN. Pardon me, but do you know Mr. Paul D. Cravath, Mr. Ryan's attorney?

Mr. WALKER. No, sir; I do not.

The CHAIRMAN. You do not know that Paul D. Cravath was formerly associated with Mr. Cotton as a partner?

Mr. WALKER. No, sir.

The CHAIRMAN. And you do not know that Paul D. Cravath conducted the reorganization of Wilson & Co.?

Mr. WALKER. No, sir; I do not.

Senator KENYON. The Eastman Kodak Co. is the second one on your list of special contributors, is it not?

Mr. WALKER. Yes, sir.

Senator KENYON. Do you know anything about the stock owned by the Eastman Kodak Co. in Swift & Co.?

Mr. WALKER. No, sir.

Senator KENYON. Do you know whether they own any or not?

Mr. WALKER. No, sir.

Senator KENYON. Did you know at the time you sent out this letter?

Mr. WALKER. I have never known it.

Senator KENYON. Mr. Walker I have asked you about. Morgan & Co. are the next contributors. Have you read the report of the Pujo committee on these affiliated bankers?

Mr. WALKER. No, sir.

Senator KENYON. Do you know that one of the affiliations given in the report of the Pujo committee was that of J. P. Morgan & Co. with the Illinois Central Railroad Co., of which Mr. Armour is a director?

Mr. WALKER. No, sir; we never understood that; we were not interested in it.

Senator KENYON. And another affiliation given in the report of the Pujo committee was of the Chicago, Burlington & Quincy Railroad Co., of which Mr. Dunning, vice president of Armour & Co., is a director.

Mr. WALKER. No, sir.

Senator KENYON. You have never traced out the connection between those on the big list and the packers?

Mr. WALKER. We had no reason to do so.

Senator KENYON. Do you not think it is quite important, when the chamber of commerce is condemning the Federal Trade Commission for what the commission has said about the packers, to know whether they are speaking really for themselves, or whether it is the voice of the packers?

Mr. WALKER. Not important at all.

Senator KENYON. Not important at all?

Mr. WALKER. In view of the basis for solicitation for support to the chamber.

The CHAIRMAN. The question is, whether or not the packers, exerting a considerable influence over the chamber of commerce, might have a good deal of influence with reference to the utterances of the

chamber of commerce with regard to the report of the Federal Trade Commission condemning the packers?

Mr. WALKER. They have no opportunity to exert influence, even if they wished to do so.

The CHAIRMAN. You state in your letter that you have just read, "that this is your game"?

Mr. WALKER. Yes, sir; and we meant it—

Senator KENYON (interposing). And that it was their pie?

Mr. WALKER. We mean it in the sense that it was written to every corporation and every business interest. We mean that this game of commercial organization and the betterment and standardization of American business methods is their pie and it is their game.

Senator KENYON. What do you mean by their "pie"?

Mr. WALKER. To their interest.

Senator KENYON. To control legislation?

Mr. WALKER. Certainly not, sir. The standards and ethics and methods of the Chamber of Commerce of the United States have been on record for five years and are known to be above question.

The CHAIRMAN. Well, does it rise higher than its source?

Mr. WALKER. The source of its activity is the board of directors and its constituency, the trade organizations.

The CHAIRMAN. That is the very point involved, as to whether or not the chamber of commerce represents the packers. If so, the standard of packing-house morals is really the very point involved, if that is reflected by the chamber of commerce.

Mr. WALKER. I should be very glad if I could throw any light upon the point you seek, sir, and I am sure that any and every member of the board of directors, from what I know of them, would be very glad to learn if there were a possibility of such influence as you suggest. But the formation of the chamber of commerce, its methods of operation, and its constitution prohibit any kind of influence of the kind that you suggest; that is foreign to it.

The CHAIRMAN. Let us see: They are heavy contributors to a fund to be disbursed through the Chamber of Commerce of the United States, which was secured on the representation that it was to be used in their game and connected with their pie. Now, here comes a report from the chamber of commerce condemning the action of the Federal Trade Commission investigating the packers. The packers have been generous contributors to this pie fund.

Mr. WALKER. Not disproportionately.

The CHAIRMAN. Well, you can not tell, unless you know their ramifications, which you do not know.

Mr. WALKER. No.

The CHAIRMAN. Now, they condemn the report of the Federal Trade Commission. This report had its conception when Mr. Haney's investigation of the packers was going on. Now, you do not seem to know enough about it; it seems to me, to know whether or not this packing-house influence insinuated itself into this report or not.

Mr. WALKER. May I point out, Mr. Chairman, that this list of subscribers had its origin, as a matter of organization, away back in 1912.

The CHAIRMAN. Yes; but these packing-house concerns were going on then, were they not?

Mr. WALKER. Yes; and the reasons those firms are there on the list with all the other firms was because of their size and their importance as leaders of one of many industries.

The CHAIRMAN. That is very apparent.

Senator KENYON. They were under indictment, as I understand it, at that time.

Mr. WALKER. I have no knowledge of that. And we never had any interest in any of their activities, or the potentiality of their activity concerning any of these firms, because we were soliciting all business on exactly the same basis.

Senator NORRIS. Those firms are still in the chamber of commerce, are they not?

Mr. WALKER. They hold memberships.

Senator NORRIS. They hold memberships; yes. Now, as a matter of fact, do you mean to state that if it should be disclosed that perhaps a very large majority of this big list that you mention in this letter were either directly or through their subsidiary corporations interested in the packers, they would not have any influence in controlling the action of the chamber of commerce?

Mr. WALKER. None whatever.

Senator NORRIS. None whatever. Well, who would have an influence, and by what would they be moved, if the men who furnish the money and make it up would not influence it?

Mr. WALKER. There can be, under the constitution, no influence of any kind exerted, because the vote of the entire membership of the chamber can alone dictate the activities of the chamber.

The CHAIRMAN. Yes; but that does not relate to this report.

Senator NORRIS. No; the vote of the entire membership has not had anything to do with this criticism, as a matter of fact, that was made of the Federal Trade Commission.

Mr. WALKER. I know nothing about that.

The CHAIRMAN. Now, Mr. Butler has stated that the first complaint they found, the first grievance they had against the Federal Trade Commission, was when that commission animadverted on the activities of the paper companies relating to paper. Now, it happens that in the International Paper Co. was one of your heavy contributors to this pie fund. Do you think it is a mere coincidence that this committee, receiving this money from the International Paper Co., and other concerns just happened to take an interest in a report adverse to their contributor?

Mr. WALKER. Mr. Chairman, in the first place, I would like you to understand that, as the representative in New York of the chamber of commerce, I am and have been entirely ignorant of anything that has to do with the preparation of this report or any of the activities of this committee, except to perform such clerical service, at times, or a matter of information service as might come under my jurisdiction.

The CHAIRMAN. But your other remarks indicated that you thought it was a mere coincidence that the committee animadverted upon the report of the Federal Trade Commission upon the packers, notwithstanding the fact that the packers were very heavy contributors to this chamber of commerce. Do you think that was a mere coincidence? Do you think there was no real connection between those things?

Mr. WALKER. None whatever; knowing, as I do, the ideals——  
The CHAIRMAN (interposing). Of the packers?

Mr. WALKER. No; of the chamber of commerce.

The CHAIRMAN. How about the ideals of the packers?

Mr. WALKER. They have no representation in the chamber other than as members, with all the business interests.

The CHAIRMAN. But it is their "game." Do you know how they played their game?

Mr. WALKER. I think, Mr. Chairman, you have the wrong impression, first of all, as to what this fund is, and how it is secured. This money that you see here [indicating list] contributed by these firms was a mere basis of going out and securing memberships.

The CHAIRMAN. I do not understand.

Mr. WALKER (continuing). Which made up a total fund; that was only part of it.

The CHAIRMAN. Yes. The principal part of this fund was contributed on the basis of representations contained in that letter, I assume; and like representations were made to all these people on the list. Now, I take it, too, that their idea was to partake, in some respect, in the administration of the chamber. In some instances you disclaim that, and in other instances you say you do not know anything about it. Go ahead, please, Senator Kenyon, with the names of contributors.

Senator KENYON. Another name that I find on the list, following it down, is that of the National City Bank, as one of the contributors. Mr. Armour is a director of that bank, is he not?

Mr. WALKER. I do not know, sir.

Senator KENYON. And among the affiliations of the National City Bank, according to the Pujo report, is the Chicago, Milwaukee & St. Paul Railway Co. Mr. Armour is a director of that, is he not?

Mr. WALKER. I do not know.

Senator KENYON. Do you not know whether or not he is a director of that railway company?

Mr. WALKER. We have never bothered to inquire.

Senator KENYON. You have not bothered to inquire as to where the money came from?

Mr. WALKER. As long as it came from business interests.

Senator KENYON. The International Harvester Co. is one of your contributors, is it not?

Mr. WALKER. Yes, sir.

Senator KENYON. And Kuhn, Loeb & Co.?

Mr. WALKER. Yes, sir.

Senator KENYON. Do you know anything about their connection at all with Armour & Co.?

Mr. WALKER. Nothing whatever; I never inquired.

Senator KENYON. Do you know anything about the representatives or partners of Kuhn, Loeb & Co. being trustees for certain bonds of Armour & Co.?

Mr. WALKER. No, sir.

Senator KENYON. You know nothing about the loans of Kuhn, Loeb & Co. to any of the packers?

Mr. WALKER. No, sir.

Senator KENYON. What is the American International Corporation?

Mr. WALKER. I understand it is a corporation formed for doing international business.

Senator KENYON. Is Mr. Armour a director of that?

Mr. WALKER. I have heard so, but I am not sure.

Senator NORRIS. That corporation is formed under the so-called Webb law, is it not?

Mr. WALKER. I am not sure.

The CHAIRMAN. It was formed before that law was passed.

Senator NORRIS. Well, it has gone into the business in which it is now engaged under that law.

Mr. WALKER. I think it was formed before that law was passed.

Senator NORRIS. But its activities were greatly enlarged by virtue of that law.

Senator KENYON. You say you think Mr. Armour is a director of that corporation. John D. Rockefeller is another big contributor to your chamber of commerce. Do you know how much of stock of this American International Corporation is owned by Mr. Rockefeller?

Mr. WALKER. I have no idea.

Senator KENYON. Do you know where this committee could get that information?

Mr. WALKER. No, sir; I do not.

Senator KENYON. Well, I will not go over the rest of those names. Just what did you mean in your letter by an "emergency fund"?

Mr. WALKER. A fund to be raised pending the securing of enough revenue to carry on the chamber without these special subscriptions.

Senator KENYON. Do you keep any books showing what the emergency fund was used for?

Mr. WALKER. Yes, sir.

Senator KENYON. Where are those books?

Mr. WALKER. I feel positive, although I have nothing to do with that, I feel very sure that the records of the chamber will disclose at once—

Senator KENYON. Just what the funds are spent for?

Mr. WALKER. The annual report of the board of directors, and financial statement, which are published every year, explicitly state how the money is spent.

Senator KENYON. And I would like to ask you again just what you meant by holding out to these corporations that "this is their game"? What did you mean by that? What is the "game"?

Mr. WALKER. The game of the development of commercial organization in its modern sense.

Senator KENYON. Do you call that a game?

Mr. WALKER. I would call that so, in business slang.

Senator KENYON. What do you mean by that?

Mr. WALKER. I might illustrate it and say that you—well, I would just simply say it is a slang term. It is their interest; it is their business. It is surely their interest to have a commercial organization developed as we understand to-day, developed to its highest point. It is their interest—what I meant to convey is this: That here were a number of men on the board of directors who were sacrificing their time and labor and money, just simply to do a great national work; and if the business firms all over the country who were being

served by this effort, served in the national interests, served by having commercial organization develop as it has been developed by the Chamber of Commerce of the United States—if, after this sacrifice and effort on the part of these men who were doing this voluntarily—I meant to say that if these men were not interested, why, who could be? Because, after all, these men, the men that were making these sacrifices, were doing it in their interest, in the interest of all American business, and they had a leading part in American business.

The CHAIRMAN. Do you not think that the report of your chamber of commerce against the Federal Trade Commission vindicates your assurance that it was not that?

Mr. WALKER. I do not quite understand you, Mr. Chairman.

The CHAIRMAN. You represented to Armour & Co., Swift & Co., and Morris & Co., in asking them to contribute to this fund, that it was their game and pie. Now, this organization that they did contribute to and that represented them, condemned the report of the Federal Trade Commission. Do you not think that that justified your assurance that it was their game?

Mr. WALKER. I do not think that had any relation to it. Our letter said it was their interest to contribute to the Chamber of Commerce of the United States. We said and conveyed explicitly that it is to their interest to do it just to the same extent and no more than it is to the interest of every business man and business firm in the United States to contribute to what is their work. And it may be proper for me to say that occasion has arisen where we have found it difficult to persuade heads of corporations and groups of business men to give their cooperation. One man's cooperation and effort is expressed by the labor he is able to devote to it; another man, who is not able to give that time and labor, can help in just as useful way by giving money, which is just an equivalent. And at times, when an occasional individual in a group of men in a meeting has on occasion said to me: "What is there in it for us if we do cooperate?"

The CHAIRMAN (interposing). Yes; that is the point.

Mr. WALKER. The reply invariably has been, "Nothing more than is in it for every business in the United States."

The CHAIRMAN. When his interest is attacked by Government agents seeking to—

Senator RANSDELL (interposing). Now, what is in it for every business man in the United States? What are the great objects and aims of this great organization and why should it exist? If you make that perfectly clear, I think it would help elucidate what you are driving at.

Mr. WALKER. The objects and aims of the Chamber of Commerce of the United States, Senator, have been set forth so many times and so clearly that I can not understand that at this late date that they would not be fully known and clear to everybody.

But I may say that in our presentation to business men as to why they should join the Chamber of Commerce of the United States we have pointed out the need for organized effort and the same kind of commercial organization and development of commercial organizations as has taken place in Europe for years past, where they have been 20 years ahead of us, and the same kind of industrial organiza-

tion which could bring about a betterment of business conditions generally and a standardization of business methods that would place American business on the right plane.

Senator RANDELL. But that is all done in a general, broad way, is it not?

Mr. WALKER. It is all done in a very general, broad way.

The CHAIRMAN. Yes; but—

Senator RANDELL (interposing). Just a minute, Mr. Chairman. And it would be against the purposes of the organization to help any individual, would it not?

Mr. WALKER. The view is expressly made clear to every person whose support and every organization whose support is solicited that they can have no voice, neither can they exert or hope to exert any influence in the chamber other than that which is open to them as members of an organization; that is, their own trade organization, which is one of very many hundreds of the chamber.

Senator RANDELL. And it would be beneficial to the whole membership rather than to the individuals who composed the membership?

Mr. WALKER. Entirely so.

The CHAIRMAN. Now, as to that point: You say it is general, and would be of general interest to the organization and not of specific interest to any particular concern?

Now, the chairman of the Federal trade committee of the chamber of commerce has indicated that the first exception that he took to the report of the Federal Trade Commission was when they issued a report in relation to the activities of the paper companies.

Now, the International Paper Co. was a contributor to your emergency fund. There was a particular instance, not a general instance. And Mr. Butler, the chairman of the Federal trade committee of the Chamber of Commerce, said that he waited on the Federal Trade Commission and advised them that their conduct was outrageous; he used the word "outrageous" in two or three instances, referring to their report in relation to the packers.

Now, you do not understand that that is of general concern to all these 100 big list people, do you? Was not that a particular protest in relation to a particular line of business the owners of which had been heavy contributors to your fund?

Mr. WALKER. As I said, Mr. Chairman, I have had no part in the conception of this report or anything to do with it; but as an officer of the chamber of commerce, I should say it had no specific relation whatever to any selfish or individual interest, but that it was simply one of the activities of the chamber generally and in the general business interest.

The CHAIRMAN. Then it is to the general business interest, and the general interest of this committee to protest against any activity on the part of the Federal Trade Commission in relation to any particular line?

Mr. WALKER. When any part of American business is attacked or suffers by reason of the alleged or, rather, believed maladministration of any law, I should assume it to be to the interest of all American business that a protest be made in behalf of American business generally, and necessarily it would have to relate specifically to that industry.



Senator NORRIS. Could that be done by some officer of the organization without consulting or taking a referendum vote of the membership; would they have authority to do that?

Mr. WALKER. The activities of the chamber and the activities of the board of directors and its committees are in response either to a referendum or to a resolution in the annual convention.

Senator NORRIS. Now, there was not any such thing in reference to the packers; there was no referendum taken as to whether there should be a protest made against the way the Federal Trade Commission was conducting the investigation of the packers, was there?

Mr. WALKER. My conception, and our general conception in the chamber, so far as I understand, Senator, is that this matter of the packing interest that you refer to here is a mere incident of this report—

Senator NORRIS (interposing). All right, just treat it as such; I am not disposed to treat it in any other way. But here is the Federal Trade Commission, a governmental body of men, investigating the packers; and now come the representatives of the chamber of commerce and protest in the strongest kind of language against the method of that investigation.

In taking that action, they were not authorized to take it by any referendum vote of the chamber of commerce; they did it on their own initiative, without getting instructions from the body they represented; and yet they acted in the name of that body.

Mr. WALKER. I think you are wrong, if I may point out—

Senator NORRIS (interposing). If I am wrong, I wish you would show me how.

Mr. WALKER. I think that the correct situation is this: This report of the Federal trade committee—I am only expressing a personal opinion as an officer who was an observer of what was going on.

Senator NORRIS. Yes; I understand.

Mr. WALKER (continuing). That the report of the Federal trade committee, I assume, is the result of their study of long activities of the Federal Trade Commission, and this report is the result, or is in pursuance of general instructions given to the board of directors by resolutions adopted at the annual meetings of the chamber.

Senator NORRIS. Can you give us any such resolution that would authorize the representatives of the chamber of commerce, in the name of the chamber of commerce, to protest to the Federal Trade Commission against their method of investigating the packers?

Mr. WALKER. Personally I could not, but I would suggest that you could secure the attendance of the executive officer of the chamber, Mr. Elliot H. Goodwin—

Senator NORRIS (interposing). But we are taking your testimony now. You say—

Mr. WALKER (interposing). Only because it is the general rule.

Senator NORRIS (continuing). That it must be to the general interest, and that they can not act unless they are authorized to do so by referendum vote.

Mr. WALKER. Or by the convention.

Senator NORRIS. Or by the convention. But here is an instance where, at least as far as has been developed, they have acted without that authority in protesting against the method of investigation of the Federal Trade Commission.

Mr. WALKER. I think so, Senator, because I am assuming that that committee's report, which Mr. Butler can tell you about much better than I can, is in pursuance of a policy which was established by referendum or resolution.

The CHAIRMAN. If it is not, then it is unwarranted, and they went out of their way to do it?

Mr. WALKER. Oh, I could not say that, Mr. Chairman; the directors must have——

Senator NORRIS (interposing). Well, just prior to your coming on the stand, Mr. Butler said that he initiated this himself; as I understand, he started it himself; he did not claim in his testimony that he was authorized or that his committee was authorized to take this step by any referendum vote or any resolution passed by the Chamber of Commerce.

Now, if your testimony is right, it seems to me that they were exceeding their authority and had no right, under the rules of the chamber of commerce, to act in the name of that chamber and make this criticism or this report. Do you not think that necessarily follows?

Mr. WALKER. No, sir; because I have the right to assume, knowing the rules and methods of the chamber—I have the right to assume that the report of this committee would not have been issued, except as the result of the cognizance and full concurrence of the board of directors, and that the board of directors would not have concurred unless it was in pursuance of an expressed desire on the part of the membership, either in referendum or by resolution.

The CHAIRMAN. He indulges that assumption, but——

Senator NORRIS (interposing). Yes; Mr. Butler's testimony does not indicate that.

Senator KENYON. Mr. Butler said this was not a question that would be referred to referendum.

Senator NORRIS. Yes; he said that this would not be referred to a referendum.

Mr. WALKER. The board of directors itself has certain powers under the constitution to initiate certain matters.

Senator NORRIS. Then you were wrong in your testimony when you stated, in answer to questions of the chairman and Senator Kenyon, that the objects of the chamber of commerce were for the general good, and that the officials had no right to act except in response to a referendum vote, or action taken directly at the regular meeting of the chamber; that is the substance of your testimony.

Mr. WALKER. Well, Senator, may I be permitted to make that clear?

Senator NORRIS. Certainly; that is what I want.

Mr. WALKER. The Chamber of Commerce of the United States can have no attitude on any public question; neither is it responsible for any policy in regard to any public question except as the result of authorization of its constituency, either in convention assembled or by referendum.

Senator NORRIS. I understand that; that is what you testified to to begin with. But it seems to me that you can not make that square with this report that was made without such a referendum vote, and without any such action at a meeting of the chamber of commerce.

Mr. WALKER. I feel sure, Senator, that when you have an opportunity to question Mr. Butler further he will be able to square that.

Senator NORRIS. We have had Mr. Butler on the stand, and I am taking my cue from his own testimony. I want to ask you about the funds that were raised: What other funds did you have besides what was raised by this big committee that has been offered in evidence this morning?

Mr. WALKER. It was not a committee.

Senator NORRIS. I mean the big list.

Mr. WALKER. The money that the chamber of commerce uses is secured from dues of the membership, individual, and organization membership throughout the United States from all classes of business.

Senator NORRIS. Do you know how much money the chamber of commerce spent last year?

Mr. WALKER. I do not know specifically.

Senator NORRIS. Did they not spend about \$420,000 in their activities?

Mr. WALKER. I should not be surprised if they spent that much.

Senator NORRIS. Where did they get that money? Did that come from dues?

Mr. WALKER. From dues.

Senator NORRIS. What are the dues?

Mr. WALKER. \$100 a year for association membership and \$25 a year for individual membership, besides organization members, trade bodies, etc.

Senator NORRIS. And that is the only source of revenue that they have?

Mr. WALKER. To-day that is the only source of revenue they have.

Senator NORRIS. And outside of money that has been raised that way the only money they have raised has been the \$1,000 a year contributed by each member of this "big list" for three years?

Mr. WALKER. And that was the organization fund.

Senator NORRIS. Exactly; yes. In a general way, do you know what this money was spent for?

Mr. WALKER. Yes, sir; as a matter of carrying on the activities of the chamber in the direction of the dissemination of information as to referenda, research, education, and distribution of information service—

Senator NORRIS (interposing). Well, do you know of any other action that has been taken in the last several months, except opposition to the Federal Trade Commission's report or activities on the meat investigation? Have they done anything else? What have you done in the last year?

Mr. WALKER. I should say that this was an infinitesimal item.

Senator NORRIS. It is a very small item?

Mr. WALKER. Yes, indeed.

Senator NORRIS. Is it one of the objects that this chamber of commerce has to influence legislation by Congress?

Mr. WALKER. Only by such methods as I explained by the distributions of its referenda and by the information service which goes out to the press.

Senator NORRIS. Is one of the objects that it has in view the control of investigations by committees of Congress, or other governmental activities?

Mr. WALKER. Not in any sense.

Senator NORRIS. Well, then, if that is true that committee that has made that report on the packers has exceeded its jurisdiction, has it not?

Mr. WALKER. I do not interpret it so. I may say, to elucidate further—

Senator NORRIS (interposing). Then let us get the object. Is it one of the objects, then, of the chamber of commerce to see that the Federal Trade Commission makes investigations only in accordance with their ideas?

Mr. WALKER. No; one of the objects of this committee, as one branch of the efforts of the chamber of commerce, is to see that all business is fairly dealt with under the laws which have been made to regulate business.

Senator NORRIS. Yes. Now, then, to initiate any of those activities, to see that that fairness is dealt out, it must require the action of the chamber itself in convention or in referendum vote before any specific thing can be done?

Mr. WALKER. Except where this or any other committee is acting under instructions from the resolution which formed the committee and which the chamber created.

Senator NORRIS. At the time of its formation?

Mr. WALKER. Yes.

Senator KENYON. Well, at the time this committee was formulated there was no investigation by the Federal Trade Commission of the packers. was there?

Mr. WALKER. No, sir.

Senator NORRIS. Well, then, would it not have been impossible for them to include in such resolution, in the formation of that committee, an instruction for the committee to see that the investigation was fair, because it had not been commenced at that time?

Mr. WALKER. I do not get your question quite clearly, Senator.

Senator NORRIS. Well, you say that one of the authorities that this committee would have to be to do whatever it had been instructed to do by the resolution which authorized the formation of the committee.

Mr. WALKER. Yes.

Senator NORRIS. Now, when this committee was authorized, there was no such thing as an investigation by the Federal Trade Commission of the packers. Then, how can you say that they had the authority by such a resolution to object to the method of investigation by the Federal Trade Commission?

Mr. WALKER. Because the activities of the Federal trade committee included an endeavor to cooperate with the Federal Trade Commission in respect to all its committees in regard to all business.

Senator NORRIS. Was that included in the resolution authorizing the appointment of this Federal trade committee?

Mr. WALKER. I believe so. That was the intent—that was back of the idea of the formation of this Federal trade committee.

Senator NORRIS. You had no idea of the packers' investigation when you formed that committee, had you?

Mr. WALKER. I am only speaking personally when I say that I do not believe that any member or officer or member of a committee of the chamber had any conception of any investigation of this kind when this Federal trade committee was appointed.

Senator NORRIS. Then I take it that you modify your statement that you made to the chairman of this committee and to Senator Kenyon, and say that, through its committees the chamber of commerce can act without formal resolutions of authority from the chamber, or formal referendum vote, whenever it sees fit, and it will decide whether the case is one that they ought take jurisdiction of. Is that true?

Mr. WALKER. No; it is not true.

Senator NORRIS. That is not true?

Mr. WALKER. No committee of the chamber of commerce acts without the concurrence of the board of directors of the chamber, and without the direction of the board.

The CHAIRMAN. This Federal trade committee, is it intended to be a sort of college of censors as regards the Federal Trade Commission?

Mr. WALKER. I do not think it has attempted to be such.

The CHAIRMAN. Well, it has, has it not? Has it not censured very severely the action of the Federal Trade Commission? Did not Mr. Butler say that he denounced their action as an outrage to their faces?

Mr. WALKER. I understood Mr. Butler to say that, in line with his previous statement, that he had sought, or his Federal trade committee had sought to help the interests of business, as authorized by the board of directors, and therefore by the chamber—

The CHAIRMAN (interposing). Are you familiar with the long and protracted fight made by the packers to prevent this investigation being made at all, either by the Federal Trade Commission or by either House of Congress or by the Department of Agriculture?

Mr. WALKER. No, sir.

The CHAIRMAN. You do not know anything about that?

Mr. WALKER. No, sir.

The CHAIRMAN. You do not know that they were extremely anxious not to have this investigation started at all?

Mr. WALKER. No, sir; I am not?

The CHAIRMAN. And that they wrote a large number of letters to members of congressional committees and others in the effort to prevent any investigation at all?

Mr. WALKER. I have no knowledge of that, Mr. Chairman.

Senator NORRIS. Would it be the attitude of that committee of your organization, if the Federal Trade Commission were investigating somebody else who was a contributor or a member of the chamber, to prevent the investigation or to insist that it be conducted along certain lines according to their own ideas?

Mr. WALKER. Would it be well?

Senator NORRIS. Would it be the attitude of this Federal trade committee of the chamber, if the Federal Trade Commission were investigating some other member of the chamber of commerce, to appear before the Federal Trade Commission and see that the investigation was conducted along lines that met with their approval?

Mr. WALKER. I assume that the Federal trade committee might consider itself justified in protesting, if it felt that the Federal Trade Commission, by an act of its own, were following a method which was out of keeping with what it believed the Federal Trade Commission was formed for.

Senator NORRIS. Do you know of any instance where this Federal trade committee of the chamber of commerce, or any other committee of the chamber, protested against any investigation, either by the Federal Trade Commission or by any committee of Congress, or any other governmental agency, of men or corporations who were not contributors to the chamber of commerce? Can you give this committee a single instance of that kind?

Mr. WALKER. I do not think your question, Senator, is quite clear to me. Am I right in interpreting it in this way? Do you ask if the trade committee or any other committee of the chamber of commerce has at any time conducted or entered a protest against any action of the Federal Trade Commission, where other than contributors to the chamber have been concerned?

Senator NORRIS. Yes.

Mr. WALKER. First of all, that would be impracticable, because there are as few as we can make—as we can arrange for—there are as few business men in the United States as we can provide for who are not members, directly or indirectly, of the Chamber of the Commerce of the United States.

Senator NORRIS. You do not mean to say that you have everybody in the United States included in your membership who might, in their business ramifications become subject to investigation by the Federal Trade Commission, do you?

Mr. WALKER. We have all branches and all classes of business.

Senator NORRIS. You have all branches and all classes, but you do not have all the concerns in all branches, and all in all classes, do you?

Mr. WALKER. As good a representation as we can secure.

Senator NORRIS. I understand that.

Mr. WALKER. Practically all branches.

Senator NORRIS. But you have not answered my question; you simply say that you try to get everybody in that you can. That is all right; I am not finding fault with that, but I asked you if you ever tried to protect anybody who was not a contributor to the chamber of commerce from investigation in any way?

Mr. WALKER. Yes, sir.

Senator NORRIS. Who?

Mr. WALKER. Our efforts, day in and day out, in every year, are made to secure—

Senator NORRIS (interposing). Yes; but give me an instance, a concrete instance, like the case of these packers, where you tried to stop an investigation.

Mr. WALKER. I can only answer that by saying, fairly and frankly—

Senator NORRIS (interposing). Well, you either did it or did not, it seems to me.

Mr. WALKER. I know of no branch of business that has not, directly or indirectly, contributed to the support of the chamber of commerce.

Senator NORRIS. Still you have not answered my question. I want to know whether you have ever tried to stop any investigation, either by the Federal Trade Commission or by anybody else, against anyone who was not a contributor to the chamber of commerce?

Mr. WALKER. Well, I am not in a position to say, because I do not know.

Senator NORRIS. Well, you do not know of any instance of that kind, do you?

Mr. WALKER. No; I am trying as hard as I can to answer your questions as fully as I can.

Senator NORRIS. Yes. Well, of course, if you do not know you can not say.

Mr. WALKER. No; because I do not know of any branch of business that is not served alike.

Senator NORRIS. No; but that is not answering my question; that is not an answer to it at all. And you ought to know that that is not an answer to my question.

Mr. WALKER. Well, I am trying very hard to make it clear to you.

Senator NORRIS. Suppose that the chairman, Senator Gore, was engaged in some business, and the Federal Trade Commission went after him and investigated him. Would this committee of your chamber of commerce come to his relief and see that he was given a fair trial before the Federal Trade Commission and stop them, if they could, if they thought that the commission was not conducting it properly?

Mr. WALKER. The trade committee might do that, if it were in the interest of American business as a whole.

Senator NORRIS. Now, then, have they ever done that?

Mr. WALKER. I do not know.

Senator NORRIS. The Federal Trade Commission has investigated firms and corporations who were not members and not contributors to the chamber of commerce, have they not, many times?

Mr. WALKER. I do not see how they could.

Senator NORRIS. But have they not done so?

Mr. WALKER. Not to my knowledge.

Senator NORRIS. That is the point exactly—you do not know.

Mr. WALKER. I do not see how they could, because I know of no branch of business that is not—

Senator NORRIS (interposing). You do not mean to say that the people who are not members of the chamber of commerce are the only people who do not need any investigation, and that your members are the only people who do need investigation, do you?

Mr. WALKER. No; but I mean to say that there is no branch of major business in the United States that is not represented, directly or indirectly, in this chamber.

Senator NORRIS. Oh, yes; that is true. But that does not mean that everybody that is engaged in business is a contributor to your organization.

Mr. WALKER. Directly or indirectly; yes, sir.

Senator NORRIS. Is that what it means?

Mr. WALKER. Yes.

Senator NORRIS. Do you mean to say, then, that every concern in the United States that is engaged in business is either directly or indirectly a contributor to the chamber of commerce?

Mr. WALKER. No; every major line of business.

Senator KENYON. What do you mean by "major line of business"?

Mr. WALKER. I will explain that. Everyone of the major and many of the minor industries of the country, Senator, as you prob-

ably know, have some kind of trade organization or community organization, whether it be a local chamber of commerce or a local business men's league in a small community or a city, or through their trade organization, such as the National Automobile Chamber of Commerce or the Cannery Association, or the Ice Cream Manufacturers' Association, or the Hardware Association; and those trade organizations all are members of the Chamber of Commerce of the United States, because they are the constituency of the chamber. They are the Chamber of Commerce of the United States, and they, in turn, embrace as members all the firms and corporations of the United States in their line of business who are at all anything but negligible.

Now, those organizations as organizations pay dues to the chamber, in addition to which we have firm and corporation memberships, which we call associate and individual memberships, and they contribute to the chamber individually. But the organization dues, what we call the organization memberships, are the trade and community organizations throughout the United States, which embrace every branch of business in every locality.

Senator KENYON. Have any of those concerns withdrawn from the chamber of commerce since this attack on the report of the Federal Trade Commission?

Mr. WALKER. Not to my knowledge.

The CHAIRMAN. I do not want to embarrass you by a personal question, but do you indorse the action of Mr. Butler's committee in waiting on the Federal Trade Commission and denouncing their report on the packers?

Mr. WALKER. I have not given the matter any thought, and my opinion would not be of any value.

The CHAIRMAN. It would indicate your attitude.

Mr. WALKER. As a matter of fact, I have just got back from my vacation, and I have only had a momentary opportunity to look at that report.

The CHAIRMAN. Is that the idea that you had in mind when you organized this chamber of commerce and this committee of that chamber to cooperate with the Federal Trade Commission?

Mr. WALKER. I am simply a salaried staff man of the organization; I have nothing to do with the organization outside of serving it as a paid officer.

The CHAIRMAN. You have nothing to do with the originating or carrying on of its policies?

Mr. WALKER. No.

The CHAIRMAN. Are there any further questions?

Senator KENYON. That is all.

Senator NORRIS. Just wait a minute, please, Mr. Walker. Did the chamber of commerce take any part in the organization of councils of national defense anywhere?

Mr. WALKER. The chamber brought in a report—and there was a referendum following the report of its committee—in which it suggested the formation of a council of national defense, and the Council of National Defense was formed shortly after that.

Senator NORRIS. Yes. What I meant by my question was, in the organization of the various councils of national defense throughout



the country, has the chamber of commerce taken any part in such organizations?

Mr. WALKER. Do you mean the State councils of defense?

Senator NORRIS. Any of them.

Mr. WALKER. That I do not know.

Senator NORRIS. That you do not know. Now, in the various purchasing committees, did the chamber of commerce have anything to do with that—early in the war, when there was some complaint made about members of firms which had an interest in contracts, etc., that the Government would make, being employed by the Government?

Mr. WALKER. Did the chamber of commerce have any part in what?

Senator NORRIS. Here is a quotation from one of your reports:

The passage of legislation by Congress requiring that any committee member should declare his full interest in any concern with which the committee was dealing with a view to Government purchases brought a full realization to the council of the necessity of complete reorganization.

Do you know anything about that?

Mr. WALKER. No, sir. I know that at the last convention and at the special war convention held in September, 1917, a number of resolutions affecting the proper war organization of industry were passed, and that the chamber was called upon to act in an advisory capacity concerning the organization of industry generally. But I have no knowledge as to that.

Senator NORRIS. Well, you know that soon after we got into war, in these various organizations connected with the Government there was complaint made that there were some of them who had an interest in the contracts; that they were instrumental in an advisory capacity in having the Government enter into. You know that that was true, do you not?

Mr. WALKER. No, sir; I did not know that.

Senator NORRIS. Well, that was what brought about the passage of this law I have referred to here. You do not know anything about the activities of the chamber with respect to that?

Mr. WALKER. No; that would all happen at headquarters here in Washington.

Senator NORRIS. That is all.

Mr. WALKER. Mr. Chairman, might I have your permission just to make clear one point concerning the solicitation of this fund, which may serve you? Because, when this fund was first started, the responsibility for initiating it in the territory in which I was serving, to a considerable extent, fell upon my shoulders, and I think it may interest you to know that no solicitation with regard to any affiliation whatever could ever be made or was ever made, because the policy of the chamber, as laid down by the president and the board of directors, always had to be followed, necessarily, and was followed to the extent that no firm or corporation was ever permitted to subscribe one single penny without the fullest, known understanding, that its contribution was to be considered in the light of business patriotism, and that it could not, in any sense, serve any individual or group interest.

The CHAIRMAN. You thought it important to impress that on them in the beginning, did you?

Mr. WALKER. We did.

The CHAIRMAN. And you thought that if you did not, they might seek to capitalize their contribution at some time?

Mr. WALKER. We thought there should be a full understanding of the basis of this solicitation on all sides. And there was; and every one of the lists of the contributors, and every source of the funds of the chamber, have been made public every year, and its financial statements have been made public, and its records have been fully open and on the table ever since it started.

I want to impress upon you the fact that not a single penny, to my knowledge—and I am sure that I would have known it had it been so—that not a single penny came from any source to the Chamber of Commerce of the United States except on the known understanding that it was in the general public interest and could have no weight whatever in securing any influence of any kind—which influence was impossible, under our constitution, because you will realize that when a thousand organizations, composed of nearly 1,000,000 individual business men voted, you would have a million different views.

The CHAIRMAN. Which would you regard as the best representation or expression of the general interests, the Federal Trade Commission or this Federal trade committee of the chamber of commerce?

Mr. WALKER. I would not venture to suggest that either might seem to express the general public view.

The CHAIRMAN. Well, you said a moment ago that the object of this organization was to reflect the general public view.

Mr. WALKER. Yes.

The CHAIRMAN. Well, they take one view, and the report of the Federal Trade Commission takes another.

Mr. WALKER. Do you understand, Mr. Chairman, that the report of the Federal trade committee is a report to the board of directors of the chamber, for such action as the board thinks fit, as a result of the study of the investigation that the trade committee has made of the activities of the Federal Trade Commission from the beginning?

The CHAIRMAN. Well, I do not know what will be done with this report, of course. I do not know what action the chamber of commerce could take to answer the Federal Trade Commission.

But what I wanted to say was that the Federal trade committee, representing the chamber of commerce, takes no view, and the Federal Trade Commission takes another. And I was wondering which was the best reflection of the true best interests of the country. Of course, you identify the packing interests of this country with the general business interests of the country, and the Federal Trade Commission does not.

That is all. We are very much obliged to you for your statement, Mr. Walker. The committee will now adjourn until to-morrow morning at 10.30 o'clock.

(Thereupon at 12.35 a. m., the committee adjourned to meet at 10.30 a. m. to-morrow, Wednesday, September 18, 1918.)



## GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

WEDNESDAY, SEPTEMBER 18, 1918.

UNITED STATES SENATE,  
SUBCOMMITTEE ON AGRICULTURE AND FORESTRY,  
*Washington, D. C.*

The subcommittee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, No. 326, Senate Office Building. Senator Thomas P. Gore presiding.

Present: Senators Gore (chairman) and Norris.

The committee resumed the consideration of the resolution S. 221.

The CHAIRMAN. Mr. Butler, you expressed a desire to add something to your remarks on yesterday. We will be glad to have you proceed now.

### STATEMENT OF MR. RUSH C. BUTLER—Resumed.

Mr. BUTLER. You remember, Mr. Chairman and Senator Norris, that when I was asked to conclude yesterday in order that Mr. Walker might go ahead, I had not completed the statement that I was intending to make in response to your request.

I think, perhaps, in resuming this morning it would be well to make clear two or three matters that perhaps might be in doubt as the record was left yesterday. I think I might say in the beginning that, as you no doubt observed, Mr. Walker is not connected with the general office of the chamber.

The CHAIRMAN. Yes, sir.

Mr. BUTLER. And that he was being asked to reply to many questions concerning which he stated he was unable to reply. Mr. Goodwin, the secretary of the chamber, is in the room at the present time, and no doubt, through its president or other authorized representative, would be glad to appear, if it is your desire to have anyone.

The record as left yesterday might be interpreted to mean that the first suggestion of preparing this report came in connection with the investigation conducted by Mr. Heney. That is in part correct, but it should not stand that way absolutely. The report of the newspaper investigation, as I stated yesterday, was the first evidence of a changed attitude disclosed to the committee; that was immediately taken up with the commission.

The second matter pertains to the association or a proposed association of manufacturers of brass beds; and, Senator Norris, this will be in part an answer to your query of Mr. Walker yesterday as to whether the association had ever intervened on behalf of anyone not members of it. I think the brass-bed manufacturers were

not members of the association a year ago in March or April when the committee spoke to the commission about them. Whether they are members or not now I do not know. But I think I should tell you the facts, because they were taken up with the commission at the same time we talked with them about the news-print paper report.

The situation, as I understand it, is this: The brass-bed industry is overrun and is not prosperous. To quote a member of the commission, a man with \$1,500 capital could engage in the business. The result was there was a lack of inclination on the part of manufacturers, limited capital, and everything that tends to make the industry. The men in the industry recognized this situation, and desired to better their condition. They did not consult a lawyer, but they got, as I understand it, a man who had gone to Montana to go into the farming business of some kind, and who was formerly in the brass-bed business, to come to Cincinnati to meet a number of the manufacturers, in the hope that he would take hold of the situation, organize an association, and help to put the industry on its feet, so to speak.

This meeting was held in Cincinnati. Counsel was not present. These men talked of their grievances and they wanted to agree on prices, they wanted to divide territory, they wanted to limit production, they wanted to do everything that the laws of the country prohibited, but they were not in bad faith about it; they were just in trouble, and no doubt indulged in a great amount of loose talk. As evidence of their faith, they sent this man of whom I have spoken to Washington to take up their troubles with the Federal Trade Commission, of which they had heard. They understood that the Federal Trade Commission was organized for the purpose of aiding any industry that was in trouble. This man came here, told the commission the facts about as I have related them—although, of course, more in detail—and upon his departure from the office of the commissioner a memorandum was dictated to the other commissioners reciting the facts and recommending that these men be turned over to the Department of Justice.

If the Federal Trade Commission is unable to see that its highest duty does not require that it takes an industry of that kind gently but firmly by the hand and lead it out of its slough of despond up onto high ground where it may conduct its business lawfully and properly, instead of turning it over to the Department of Justice for prosecution without giving it any word of aid or suggestion, the commission ought to be abolished. We so told the commission.

The CHAIRMAN. You got off with that sort of a suggestion?

Mr. BUTLER. No; not at all; that is still our suggestion, because, as evidenced by the report that you have before you, that same spirit prevails in the commission at the present time.

The CHAIRMAN. Does your committee, then, have a habit of going down to this Federal Trade Commission and telling them that they ought to be abolished and that they have been guilty of outrages, and so on?

Mr. BUTLER. That was the second incident that we called to their attention specifically in that manner, and they had been then in existence for two years. Prior to that time we had not had occasion to adversely criticize any of their acts.

The third incident—

The CHAIRMAN (interposing). Let me ask you this: Suppose a court should render a decision that you thought was not in harmony with the wisest possible policy. Would you go to a judge of the court and use the language to a judge or to a court that you have used to this Federal Trade Commission?

Mr. BUTLER. Mr. Chairman, we have criticized no decision of the commission. We have not criticized its holding investigations; we have not criticized any of its final rulings. What we criticized and condemned is its attitude in the conduct of its business, the method in which it conducted the food investigation, so to speak, not in the fact that it conducted the investigation. We were not concerned with whether it made the investigation or not.

The CHAIRMAN. I remember you stated on yesterday that your objection was to the method of Mr. Heney and to the method of that investigation, but so far as the brass-bed business was concerned it did not seem to be confined to the conclusions and action recommended.

Mr. BUTLER. That is the method in which the commission met that situation. It came to no conclusion, it exercised no function, it failed to function; and here was an industry which, if any in the world, needed the specific help and guidance that the President said the commission was expected to give—needed it, needed it then, and needed it badly—and it got nothing.

Senator NORRIS. Mr. Butler, where did you get this information about the brass-bed predicament?

Mr. BUTLER. Senator Norris, I would not like to have you press that question in the record, but I should be glad to advise you, and I am confident that the records of the commission will disclose the facts as I have stated them.

Senator NORRIS. I move not to press the question, if you do not want to answer it. But I want to give you an idea of my motive. Of course, the Federal Trade Commission is not here, and before a man forms an opinion even on the conclusion of somebody else he ought to be put in possession of all the evidence. I recognize it is *ex parte*. You formed an opinion and you have given us your opinion as to what ought to have been done. That did not agree with what the Federal Trade Commission did actually do. In all due respect to you, it seems to me you are criticizing now not the method but the action; and is it not true that the law states that the Federal Trade Commission, when it finds that a law is being violated, shall lay the evidence before the Department of Justice?

Mr. BUTLER. Senator Norris, there is no such provision in the act from cover to cover, or in either of the acts.

Senator NORRIS. You mean to say that it is under no circumstances the duty under the law of the Federal Trade Commission to turn anything over to the Department of Justice?

Mr. BUTLER. I would not care to put that strict interpretation upon it, and, as I said yesterday, I have no objection to the Federal Trade Commission turning over to the Department of Justice violations of the law, flagrant or otherwise.

Senator NORRIS. According to your own statement, these people were trying to form an organization that would be a violation of the law.

Mr. BUTLER. I beg your pardon, Senator; that was not their idea. Senator NORRIS. That might not have been their idea; but your own statement puts them in a position where they were trying to organize in a way that they would be violating the law.

Mr. BUTLER. They were talking over their troubles, one man suggesting one thing and somebody else suggesting something else, entirely in ignorance of whether they are violating the law or not. But they did need the Federal Trade Commission in that particular instance.

Senator NORRIS. Did you hear the evidence that the Federal Trade Commission heard? Were you present when it made its investigation?

Mr. BUTLER. I was not.

Senator NORRIS. Then you have got your information from a secondary source?

Mr. BUTLER. No, sir; I have not.

Senator NORRIS. You did not hear it?

Mr. BUTLER. In that sense, you are right.

Senator NORRIS. And you object to what they did there in turning it over to the Department of Justice. Evidently they reached the conclusion with which you do not agree that it was their duty, under the evidence that had been produced before them, to turn that matter over to the Department of Justice and did it.

The CHAIRMAN. You can imagine a case, Mr. Butler, where they would find a combination in process of formation and where it would be their highest duty to turn the matter over to the Department of Justice.

Mr. BUTLER. That is imaginable. But if I were in their place and I found such a case, I would immediately step in with the industry and say, "Here, you are violating the law here and here [indicating]. Now, let us get together and sit down and fix up matters so that you can go ahead and carry on your business, and help the people of this country supply what they need in a proper and lawful manner."

The CHAIRMAN. That is no doubt what it ought to do in many instances, and I assume it has done that in many instances, though I do not know.

Mr. BUTLER. I do not know of any in which it has.

The CHAIRMAN. I think they favored the Webb bill, in which business is permitted to go forward in foreign trade without violating the trust law.

Mr. BUTLER. They may have favored it but they did not enact it.

The CHAIRMAN. That is an error for which you are entirely pardonable, to assume the commission can enact; but they did recommend to Congress.

Senator NORRIS. That was a recommendation. I suppose in the brass bed business they did nothing but recommend?

Mr. BUTLER. They did not even do that, Senator Norris.

Senator NORRIS. Then they did not go as far as you have intimated?

Mr. BUTLER. I merely stated that the commissioner dictated the memorandum to his fellow commissioners.

Senator NORRIS. Did you agree with them when they recommended the passage of the Webb law? In other words, did you believe in the passage of the Webb law?

Mr. BUTLER. With reference to the foreign trade?

Senator NORRIS. Yes.

Mr. BUTLER. I have always been in favor of combinations being permitted to engage in foreign trade.

Senator NORRIS. Personally I did not agree with them. I thought they were wrong. Still I did not feel like abolishing the commission. I realize they have just as good a right to their opinion as I have to mine. I have noticed just recently a great deal of condemnation from foreign sources over that Webb law, that they are claiming in South America that Americans are combining down there to do things that would be illegal at home, and they resent it somewhat.

Mr. BUTLER. Senator, you are placing the Webb law in a new light to me. I did not know that the Federal Trade Commission was the all-powerful factor in the enactment of the Webb law.

Senator NORRIS. I did not, either, and I have not said so. But they recommended its passage, as the chairman has stated.

Mr. BUTLER.

Senator NORRIS. And I did not, either, and I am not certain that they recommended its passage as stated.

Mr. BUTLER. Well, in response, I assume, to very popular sentiment existing in the entire country.

The CHAIRMAN. Mr. Butler, the chamber of commerce went on record in favor of that law, did it not?

Mr. BUTLER. I do not remember.

The CHAIRMAN. I think they had a referendum.

Senator NORRIS. I am not criticizing you or anybody else for favoring it or the President or the Congress that passed it. But I thought it was not right myself, and I claim to be just as honest in my opinion as the others were in theirs, and I think we are going to get from foreign sources a lot of condemnation and blame on account of it that will come home to trouble us many times.

Mr. BUTLER. The third matter that we presented to the commission was the method of the conduct of the Heney investigation, and the fourth and last, which was presented at the same time, was the filing of the Wilson and Morris complaints without specifying the charges and at the same time giving to the press the details of the charges. These are the only four things that we have taken up with the commission by way of adversely criticizing its conduct.

The CHAIRMAN. Are those the only four instances in which they have adversely criticized its business methods?

Mr. BUTLER. Not that I know of, Mr. Chairman.

The CHAIRMAN. Do you remember any other instances where they have?

Mr. BUTLER. Why, there are hundreds. I do not know that I can give any in particular. The commission has filed—I will not undertake to say how many complaints, but a great many complaints. It has filed complaints against many members of the chamber who have talked with the officials of the chamber about it, but it was no concern of the chamber's; it was a private matter—the filing of a complaint.

The CHAIRMAN. These others are not private matters?

Mr. BUTLER. Perhaps I did not make myself clear, Mr. Chairman. If the Federal Trade Commission has exercised its jurisdiction in the



news-print matter and had come to a conclusion and made a report and findings and had entered an order, we would not have uttered a word in criticism of it. But it did not do that. It exercised none of its jurisdiction, as I stated yesterday. It had two ways of exercising its jurisdiction—one by filing a complaint, the other by instituting an investigation. It did neither. It constituted itself as arbiter outside of the law, wasted six months or a year, and at the end of that time found itself in the impotent position of being unable to enforce its award.

The CHAIRMAN. Was there not a sort of agreement between the parties?

Mr. BUTLER. Certainly, Mr. Chairman. But the public interest is paramount to that of any parties in interest. These laws upon which the activities of the Federal Trade Commission are based are founded in the fact that the public interest is of paramount importance over and above that of any individual or any industry or of the commission.

The CHAIRMAN. When the commission seems to regard itself as discharging a duty to the public by reprobating what they regard as unfair methods or unfair practices, then they are called to account by an extralegislative or extrajudicial or self-constituted body here. Of course, anybody has the right to criticize a public official in this country, and I would not have that otherwise.

Mr. BUTLER. Senator, I beg your pardon, but I do not know of a single instance where that has been done; we have not criticized the commission for any order.

The CHAIRMAN. Then you agreed with it?

Mr. BUTLER. No; any time in respect of any order it has entered or any hearing it has conducted in accordance with the laws under which it is constituted.

The CHAIRMAN. Was this investigation of the packing-house concerns illegal?

Mr. BUTLER. It was not.

The CHAIRMAN. It was directed by the President.

Mr. BUTLER. It was entirely legal.

The CHAIRMAN. Was it not acting then within the scope of its authority?

Mr. BUTLER. In conducting the investigation?

The CHAIRMAN. Yes.

Mr. BUTLER. Entirely so.

The CHAIRMAN. That is, it was just the method you objected to?

Mr. BUTLER. May I read to you, Senator, just a few words from our report, which concretely shows the basis of our criticism of the method of conducting that investigation?

The CHAIRMAN. Yes.

Mr. BUTLER. I read from subhead V, entitled "Prominent features of the commission's recent food investigation where subversive of common justice":

On February 7, 1917, the President informed the commission it was "of the highest public concern to ascertain the truth or falsity" of allegations that "the course of trade in important food products is not free, but is restricted and controlled by artificial means," and directed the commission to investigate. Hiring a special counsel at a rate of \$30,000 a year and expenses, although it had stated to a committee of Congress the salary would be at the rate of

\$5,000, it proceeded, not in the spirit of the President's letter but with the apparent purpose of creating in advance a public impression that the allegations were true. It selected documents already in its possession and had them presented to it at public sessions by its special counsel, refusing to permit concerns that were mentioned in the documents to offer any testimony or produce other documents. It held public sessions at Boston, Philadelphia, St. Paul, and other cities, examined witnesses of its own choosing, and prevented cross-examination by the concerns at which it was made clear the proceedings were directed. At each city the special counsel or other members of the staff let it be known that the Government contemplated taking over and operating the industry.

This strange spectacle ended at Chicago in February, 1918, when application was made on behalf of the commission for a search warrant under a section of the espionage act and the circuit court of appeals quashed the warrant. The result of the commission's course was not to give information to the public, but to place the commission in the position of seeking to create prejudice which would support an apparently preconceived purpose to inaugurate Government operation of the business. In other words, before completing the investigation which the President directed the commission appeared in the guise of attempting to force adoption of a legislative policy in a matter as to which it had not reported the facts. Another result was to prevent such a determination as the President requested and which he declared was of the highest public concern.

The seriousness of the consequences of the commission's course is apparent from the circumstance that the commission's representative took oath that crimes had been committed. If there was crime on the part of any person the public welfare demands its immediate prosecution by the properly constituted authorities. It equally demands that the commission, which has no criminal jurisdiction, should sedulously refrain from alleging the perpetration of felonies which have not been proved in accordance with established legal procedure.

Although the commission stated in February, 1917, that its report of this investigation would be completed and published within eight months and the services of its special counsel terminated on March 31, 1918, so much as a summary of a report regarding meat packing, which the commission said would be the first food industry it would investigate, was not published until August 8 of this year. This summary of 47 pages the commission states is to be followed by seven reports in support of its conclusions and recommendations. In other words, the commission follows a method of publicity which causes its allegations to obtain wide circulation without opportunity for the public to know the grounds on which these allegations are made. Regarding the facts of the industry in question this committee, of course, is without information. It is in no sense in a position to express an opinion as to the merits of the commission's charges.

Senator NORRIS. Now, Mr. Butler, in that quotation that you have read from your report, you practically say, it seems to me, in one part of it, that it is the duty of the commission to do nothing in regard to criminal prosecutions. Was not that just what they did in the brass-bed business that you complained about when they turned it over to the Department of Justice?

Mr. BUTLER. Senator Norris, I beg your pardon; I do not agree with that interpretation of it. We are not opposed to the Government getting a hold of the facts that constitute violations of the criminal laws, particularly when those facts are in the possession of a department of the Government, the Federal Trade Commission or otherwise.

Senator NORRIS. I am not saying—I have no opinion of my own—as to whether this evidence that they had in the brass-bed business was sufficient, but I am assuming that they supposed it was either sufficient or was enough evidence at least for the Department of Justice to make an investigation on. It seems to me there they followed the course that you condemn in the criticism that you have just read from your report.

Mr. BUTLER. Yes; personally——

The CHAIRMAN (interposing). Or they followed the course he recommended?

Senator NORRIS. Yes; I mean that they followed the course in the brass-bed business that he recommends or that he says it is their duty to follow, in a portion of the quotation that he has just read from this report.

Mr. BUTLER. We had no objection to it, Senator Norris, but that industry needed affirmative constructive help.

Senator NORRIS. That may be; I am not denying that; I do not know anything about it.

Mr. BUTLER. And the only jurisdiction that the commission had in that matter was to afford that industry that help.

Senator NORRIS. Well, but in the quotation you have read from your report, I think it could fairly be inferred that you object in some other instance to their doing the opposite to what they did do in the brass-bed business, which you also criticize.

Another thing, in that quotation you have just read you complain that they did not complete their investigation as they said they would. Those things are beyond the control, are they not, of courts and investigating bodies? Nobody can tell in advance just when they will get through.

Mr. BUTLER. That was undoubtedly a very large task, Senator Norris.

Senator NORRIS. Yes. You complained they did not publish it in August, but, as a matter of fact, you must remember that that report was made to the President long before it was published. Its publication was permitted by the authority of the President. They had no authority to publish it.

Mr. BUTLER. Some four or five weeks before. I do not think that that is intended as anything serious. That was a big investigation, but the fact that the report was not forthcoming immediately is not a matter of any particular moment.

Senator NORRIS. I do not think so, either. But yet you criticize them because they did not have it come forth sooner.

The CHAIRMAN. It has been brought out from evidence created by the packing houses themselves that if any investigation at all was to be had they wanted to make it so elaborate that it really would never be printed. Do you remember that?

Mr. BUTLER. Perhaps that point is overemphasized in our report. We do not give it any particular weight.

The CHAIRMAN. Mr. Butler, I have kept up with this investigation only in a casual way in the newspapers, but as I remember from evidence that they obtained from these packing houses, an effort was made to prevent the adoption of the Borland resolution in the House, calling for an investigation.

Mr. BUTLER. I know nothing whatever of it, Senator. I do not know whether the packers wanted this investigation or not.

The CHAIRMAN. There was then evidence that came out that if an investigation was to be had it was to devolve on a department of the Government which was not invested with inquisitorial powers. Did you see anything of that?

Mr. BUTLER. I do not remember. I was not interested, Senator: I did not know anything about it.

Senator NORRIS. Mr. Butler, maybe this is a good time to ask you about that report, since you are on it. As I take it, you have said to-day and also said yesterday that you did not object to their investigating the packers, and that you were not criticizing their findings, but you did object and the chamber of commerce objected to the methods that it took in making the investigation.

Mr. BUTLER. Yes; and to some language that they used in their report.

Senator NORRIS. And some language that they used. Now, in other words, you rather objected to the form rather than the substance of this investigation. You do not mean to say that their findings were not justified by the evidence produced?

Mr. BUTLER. We so specifically state in the report I have just read.

Senator NORRIS. Yes.

Mr. BUTLER. "Regarding the facts"—I am reading from the report—"of the industry in question, this committee, of course, is without information. It is in no sense in a position to express an opinion as to the merits of the commission's charges."

Senator NORRIS. You know that your report of the chamber of commerce has received very wide publicity, and it was seized upon by everybody who wanted to defend the packers against this investigation, and was used as a basis for such defenses.

Mr. BUTLER. No; I did not know that.

Senator NORRIS. I supposed everybody knew that.

Mr. BUTLER. It has only been out about two weeks, and as far as I know it can not have had any influence on the commission one way or another.

Senator NORRIS. I do not know that it has, but it has been used as a text for speeches and articles and various things in condemnation of the commission's report; and yet you say yourself that you do not pretend to say but what the conclusion they reached was justified from the evidence?

Mr. BUTLER. No; we do not pass on that at all.

Senator NORRIS. Now, in matter of that importance, even conceding that your criticism is right, that they used language that somebody else might have improved very greatly, which should have been improved—if, notwithstanding that, they brought out a state of facts, and that they told the truth in their conclusions, have they not done a great public good? Let me read you one or two of their findings. They say:

Not only is the business of gathering, preparing, and selling meat products in their control but an almost countless number of by-product industries are similarly dominated; and not content with reaching out for mastery as to commodities which substitute for meat and its by-products they have invaded allied industries and even unrelated ones.

Do you know whether that is true or not?

Mr. BUTLER. Why, no; I do not, Senator.

Senator NORRIS. They say further:

The combination has not stopped at the most minute integration but has gone on into a stage of conglomeration, so that unrelated heterogeneous enterprises are brought under control.

As we have followed these five great corporations through their amazing and devious ramifications—followed them through important branches of in-

dustry, of commerce, and of finance—we have been able to trace back to its source the great power which has made possible their growth. We have found that it is not so much the means of production and preparation, nor the sheer momentum of great wealth, but the advantage which is obtained through a monopolistic control of the market places and means of transportation and distribution.

Has your committee or the chamber of commerce through any agency ever investigated to know whether that is true or not in regard to the packers?

Mr. BUTLER. No; we have no interest in ascertaining the facts about the packers.

Senator NORRIS. They say further:

If these five great concerns owned no packing plants and killed no cattle and still retained control of the instruments of transportation, of marketing, and of storage, their position would not be less strong than it is.

The producer of live stock is at the mercy of these five companies because they control the market and the marketing facilities and, to some extent, the rolling stock which transports the product to the market.

Now, has the chamber of commerce any reason to doubt the truth of that statement?

Mr. BUTLER. Why, I personally doubt a good deal of it; but I do not know what the chamber thinks about it.

Senator NORRIS. Do you doubt that from an examination of the evidence that was produced before the commission?

Mr. BUTLER. No; just from my own knowledge from some of the facts.

The CHAIRMAN. Let me ask you a question, Mr. Butler. What is the style of your firm?

Mr. BUTLER. Cassidy, Butler, Lamb & Post.

The CHAIRMAN. Were any of these packing concerns?

Mr. BUTLER. Which one? I represented the Cudahy Packing Co. from 1910 until 1917 or 1916 in its interstate-commerce work only. I never had anything to do with it or for it in any other connection. The relationship was absolutely terminated either two or three years ago.

The CHAIRMAN. Is that the only packing concern you have represented?

Mr. BUTLER. It is the only packing concern I ever represented.

The CHAIRMAN. In the stockyards case, in which you were attorney, was that in the interests of the Cudahy people?

Mr. BUTLER. In the interests of the public. My partner, Mr. Lamb, was appointed Assistant Attorney General for the purpose of representing the Government in that case.

The CHAIRMAN. Is your firm attorney for the American Feed Manufacturers' Association?

Mr. BUTLER. We have done considerable work for them in years past; very limited recently. We never did anything for them with reference to State laws. We took a Virginia statute to the Supreme Court of the United States, and a Mississippi statute followed; and we now have under consideration the statutes of some other States that may have to be taken hold of for the American Feed Manufacturers' Association.

The CHAIRMAN. They were contrasting the feed laws of certain States.

Mr. BUTLER. Yes.

The CHAIRMAN. I see.

Mr. BUTLER. And we were successful in all instances in our conduct of those cases.

The CHAIRMAN. The packing concern of Swift & Co. are members of this American Feed Manufacturers' Association?

Mr. BUTLER. I do not believe they are, Mr. Chairman. I would not state, but I do not believe any of the packers are members.

The CHAIRMAN. Armour has an oatmeal concern, I think, in Chicago and probably one in New York, which are members of the association, are they not?

Mr. BUTLER. No; they are not. Armour & Co. the past couple of years have opened up an oatmeal department and gone into competition with other manufacturers of breakfast foods, as I understand it. But neither Armour & Co. nor its subsidiaries, if it has any, is a member of the American Feed Manufacturers' Association.

The CHAIRMAN. Are you attorney for the Quaker Oats concern?

Mr. BUTLER. In interstate-commerce matters only.

The CHAIRMAN. That is all. Go ahead, Senator Norris.

Senator NORRIS. Mr. Butler, I will read another one or two of their findings. The commission in its investigation of the packers makes this finding also:

The competitors of these five concerns are at their mercy because of the control of the market places, storage facilities, and the refrigerator cars for distribution.

The consumer of meat products is at the mercy of these five because both producer and competitor are helpless to bring relief.

Now, has the chamber of commerce ever investigated that finding to ascertain whether, in their judgment, it is true or false?

Mr. BUTLER. What we object to there, Senator Norris, is that that conclusion is presented to you for your action as a Senator of the United States.

Senator NORRIS. No; it is presented to the President.

Mr. BUTLER. To the President; and it comes to you for consideration prior to the time that the facts supporting that conclusion are placed within your knowledge; that is what we object to there.

Senator NORRIS. We have not yet got the evidence?

Mr. BUTLER. No, sir.

Senator NORRIS. You complain, in the quotation you read from your own report, that this report had not been given publicity quick enough. If they should have held it back until all this evidence could be printed that will be in due time presented they would have still had to delay it longer and probably have been subjected to a greater degree of criticism from the chamber of commerce because they held it back longer?

Mr. BUTLER. Perhaps the suggestion of delay is overemphasized in this report. I do not attach great importance to the delay.

Senator NORRIS. Do you think they ought to have held their findings back until the evidence could be submitted with their findings?

Mr. BUTLER. Well, under the circumstances, in view of the action of the Federal Trade Commission having been taken in compliance with the President's suggestion that the facts be ascertained, I

certainly think that the facts ought to have been determined at least contemporaneously with the presentation of the commission's conclusions, and not afterwards.

Senator NORRIS. That is the evidence that they have taken. Of course, I do not know but what the facts were presented to the President. This report was made to the President.

The CHAIRMAN. Mr. Butler, who made this report public?

Mr. BUTLER. What report?

The CHAIRMAN. This report in regard to the packing houses.

Mr. BUTLER. I have no idea. I understood it was the President.

The CHAIRMAN. Then your criticism really goes to the President and not to the commission.

Mr. BUTLER. I assume not, because I assume that the seven reports that are to follow were not placed in the hands of the President contemporaneously with the placing of this report in his hands.

The CHAIRMAN. Yes; but you complain that this report was released to the public prematurely and before it ought to have been; that it ought to have been accompanied by the facts. As I understand, the commission transmitted this to the President in June and gave no publicity to it whatever, and it was finally released by the President and not by the commission?

Mr. BUTLER. Yes.

The CHAIRMAN. So that whatever responsibility attached to the premature publicity attached to the President and not to the commission there?

Mr. BUTLER. We are not criticizing the President at all, as we think his attitude is right; but we are criticizing the attitude of the commission itself.

The CHAIRMAN. I am not trying to make you criticize anybody. But I am trying to get at who is responsible for this premature publicity, if we want to fix the responsibility where it belongs.

Mr. BUTLER. Our committee does not undertake to say.

The CHAIRMAN. I thought you did undertake to say.

Senator NORRIS. Then do you not wish to modify your statement that your objection is that this was given publicity before the facts that they claim sustain it were also given publicity? Do you not feel as though you ought to modify that criticism?

Mr. BUTLER. Of course I do not wish to be put into any position of criticizing the President at all, because I am with him and I am for him and I think he is all right.

Senator NORRIS. I do not want to put you in that position. I do not think this is a question that attaches to anyone as to the publication of this report. It seems to me if there is any criticism it was that it was held back.

The CHAIRMAN. And the criticism of making it public ought to be favorable.

Senator NORRIS. But it seems to me that the chamber of commerce is in this attitude, from what you have read here from your report criticizing the commission because it did not give publicity sooner, and now you criticize again in regard to these two findings I have just read to you, Mr. Butler, the fact that they were given publicity before the evidence was given publicity upon which they are based; and it developed that they were given publicity by the President.

So that if the President gave them publicity you have no criticism. If the commission did, then it seems to be your attitude here and the attitude of the chamber of commerce is that it feels they ought to be criticized. But I think that is immaterial. Men may disagree as to that. I was asking you particularly whether the chamber of commerce had any evidence as to the truth or falsity of these two findings I have just read.

Mr. BUTLER. The chamber of commerce had none.

Senator NORRIS. Then, so far as you know, these two findings I have read are borne out by the facts in possession of the commission.

Mr. BUTLER. The facts in possession of the commission I do not know, but they are not in accordance with some of the facts that are within my knowledge.

Senator NORRIS. Yes; but you do not pretend to say that the commission were not justified in making these findings upon the evidence that they had before them, do you?

Mr. BUTLER. No, sir; I do not.

Senator NORRIS. That is the point I wanted to bring out.

The CHAIRMAN. The question turns, then, rather on the wisdom of these recommendations, does it not—the chamber of commerce being in ignorance of the facts on which they were founded?

Mr. BUTLER. The chamber of commerce is not criticizing those recommendations at all, Mr. Chairman.

The CHAIRMAN. Just the method by which they were arrived at?

Mr. BUTLER. Yes; through Mr. Heney's conduct of the investigation, and also the fact which perhaps ought not to be emphasized, in view of the President's suggested connection with it, that the recommendations were put out in advance of the supporting facts.

The CHAIRMAN. Of course, the commission is innocent of that, but I can see that the method of doing a right thing might be a subject of criticism.

Mr. BUTLER. Of course it is obvious if that were the only thing—if this report was put out without the supporting facts, was the only thing indicating the commission's attitude—it would never be thought of. It is only because it happens in conjunction with these numerous other things mentioned here.

The CHAIRMAN. Do you know anything about any endeavor on the part of the packers to control publicity of this and other matters?

Mr. BUTLER. Nothing whatever; not a thing.

The CHAIRMAN. Is there anything further, Mr. Butler?

Mr. BUTLER. Yes, Mr. Chairman. You have asked me about my connection with the packers. I think probably, in order to make the record clear, I should have stated that I did not know until yesterday that the International Paper Co. had contributed to the chamber of commerce or was a member. I have never represented that company. I have represented the Michigan Paper Manufacturers' Association in some commerce cases. That relationship terminated some two or three years ago, and I never talked with them, nor they with me, on the subject of the Federal Trade Commission.

I believe it was stated on the floor of the Senate the other day that I was the counsel for the Chamber of Commerce of the United States. I am not its counsel. So far as I know it has no counsel. I have never represented it. My firm is a member, paying \$25 a year



dues. My work in this connection has been done entirely without compensation, in accordance with the by-laws of the chamber. I have given my own time and paid all of my own expenses of traveling, hotel and others, in doing this committee work, although under the rules of the chamber I am entitled to reimbursement for my expenses, but I have not asked it and have no intention of asking it.

The question of the power of our committee to make this report, if you wish to go into that further along the line of Senator Norris's questions yesterday, it might be well to ask for some one officially connected with the chamber to take it up. The power of the chamber to release this report, after having made it, might be dealt with in a similar manner.

You referred, Senator Norris, to the publicity that had attended the publication of our report. I have examined, since I came to Washington, press clippings from all over the United States commenting editorially on this report, and I have found but one that criticizes the report. That was from a paper published in Sioux City, Iowa. I think I have read not less than a hundred editorials commenting favorably upon it, and I have not omitted to read any of them. I read them all, and they were collected without reference to whether they were favorable or unfavorable. They were supplied by a news-clipping bureau.

Senator NORRIS. Mr. Butler, on that point: The comments that the newspapers have made—do you know to what extent these five big packing establishments have advertised in all the papers of the United States?

Mr. BUTLER. I have no idea.

Senator NORRIS. Is it not generally known that they have advertised in every newspaper in the United States?

Mr. BUTLER. I have noticed within the last few weeks some advertisements of Swift & Co. I do not think I would have noticed them if they had been there persistently. I suppose they are new, but I do not know that I have seen any advertisements in the papers or any place else of any of the other packers.

Senator NORRIS. Of course, I do not read all of the newspapers, but I get a good deal of so-called country newspapers, and I have not seen one which does not contain large display advertisements of some of the packers. I took occasion to look in the New York newspapers on a date a year or so ago and I noticed that in every New York paper, every Boston paper, every Philadelphia paper that I got hold of on that particular day each one carried a large advertisement.

The point I want to make is that: Do you suppose that this intensive advertising campaign—I call them advertisements, although they do not advertise anything, as a rule, and come at a time. I assume, when it will be conceded that there is a greater demand for the product of all these concerns than can possibly be supplied—do you suppose that under those circumstances this large advertising campaign might not have quite an influence on the editorial policy of some of these papers, and that that might account for some of these favorable editorial comments that you say you have read?

Mr. BUTLER. Well, if so that would indicate a degraded press. I do not believe it is quite as bad as that.

Senator NORRIS. Well, whether it is a degraded press or not, what is the object of all these advertisements if it is not to influence the press?

Mr. BUTLER. Senator Norris, I have in my hand a copy of the complaint of the Federal Trade Commission filed against Wilson & Co. about the 17th of last May, and I desire to have that incorporated in the record, Mr. Chairman, with your permission.

The CHAIRMAN. That may be done.

Mr. BUTLER. And I desire to read one short paragraph from it, which contains the only allegation that advised the defendant of the acts and doings on which the complaint is based. That is paragraph 3, and it read as follows:

That, within the year just prior to the filing of the complaint in this case, the said respondent, its officers, agents, servants, and employees, have sold meat, chickens, and other food products to the United States of America with the knowledge that said food products were to be used by the said United States of America as food for its soldiers and that said food products were spoiled and unfit for human consumption.

That does not say when it was sold, except within a year prior to May, 1917; where it was sold, whether in France or at San Diego, Cal.; how much was sold, or what it was, or any of the circumstances whatsoever. And now I beg your pardon for quoting the attorney for Wilson & Co., with whom I talked late in June to ascertain the facts before quoting him. He told me that he had made written application to the Federal Trade Commission for a bill of particulars and his application was denied.

(Copy of the complaint filed on the 17th of May, this year, as submitted by Mr. Butler is here printed in full, as follows:)

UNITED STATES OF AMERICA,

*Before Federal Trade Commission, ss:*

At a regular session of the Federal Trade Commission, held at its office in the city of Washington, D. C., on the 17th day of May, A. D. 1918.

Present: William B. Colver (chairman), J. Franklin Fort, Victor Murdock, William J. Harris, commissioners.

[Federal Trade Commission v. Wilson & Co. Docket No. 142. Complaint in the matter of the alleged violation of sec. 5 of an act of Congress approved Sept. 26, 1914.]

The Federal Trade Commission having reason to believe from a preliminary investigation made by it that Wilson & Co., hereinafter referred to as the respondent, has been and is using unfair methods of competition in interstate commerce in violation of the provisions of section 5 of an act of Congress approved September 26, 1914, entitled "An act to create a Federal Trade Commission, to define its powers and duties, and for other purposes," and it appearing that a proceeding by it in respect thereof would be to the interest of the public, issues this complaint, stating its charges in that respect on information and belief as follows:

PARAGRAPH 1. That the respondent Wilson & Co. is a corporation, organized, existing, and doing business under and by virtue of the laws of the State of New York, with its principal office and place of business located at the city of Chicago, in the State of Illinois, and is now and for more than 10 years last past has been engaged in the general packing business and in the sale and shipment of meats, chickens, and other products to persons, corporations, and copartnerships in other States and Territories of the United States and the District of Columbia, and is now and for several months last past has been selling its products to the United States of America as foodstuffs for soldiers in camps and in cantonments in the various States and Territories of the United States and the District of Columbia.

PAR. 2. That there are other individuals, copartnerships, and corporations engaged in selling meats, chickens, and other similar products in interstate

commerce and to the United States of America as food for its soldiers, and that said individuals, copartnerships, and corporations are in active competition with said Wilson & Co.

PAR. 3. That, within the year just prior to the filing of the complaint in this case, the said respondent, its officers, agents, servants, and employees have sold meat, chickens, and other food products to the United States of America with the knowledge that said food products were to be used by the said United States of America as food for its soldiers and that said food products were spoiled and unfit for human consumption.

Therefore notice is hereby given you, the said Wilson & Co., that the charges of this complaint will be heard by the Federal Trade Commission at its office in the city of Washington, D. C., Fifteenth and K Streets NW., on the 31 day of July, A. D. 1918, at 10.30 o'clock in the forenoon of the said day, or as soon thereafter as the same may be reached, at which time and place you shall have the right to appear and show cause why an order should not be entered by the Federal Trade Commission requiring you to cease and desist from the violations of law charged in this complaint.

And you will further take notice that within 30 days after the service of this complaint you are required to file with the commission an answer in conformity with rule 3 of the rules of practice before the commission.

In witness whereof the Federal Trade Commission has caused this complaint to be issued, signed by its secretary, and its official seal to be affixed hereto at the city of Washington, D. C., this 17th day of May, A. D. 1918.

By the commission.

[SEAL.]

LEONIDAS L. BRACKEN, *Secretary.*

That complaint was filed on the 17th of May, this year, and I hold in my hand the copy of the publicity notice given by the Federal Trade Commission contemporaneously with the filing of that complaint, which reads as follows:

FEDERAL TRADE COMMISSION.

Washington, ———.

For release in morning papers of Monday, May 27, 1918—

I beg your pardon. There is a discrepancy in the days, but this was the publicity that followed the filing of the complaint. Then, this is the heading, in large letters: "Morris & Co. and Wilson & Co. charged with offering unfit meat for consumption by American soldiers." And this is the text of the publicity which appeared broadcast throughout the United States:

Complaints have been issued by the Federal Trade Commission making the serious charge against Wilson & Co. and Morris & Co. that they have sold and offered to sell meat and other food products to the Government with the knowledge that these products were to be used as food for American soldiers, and that these products were spoiled and "unfit for human consumption."

Thousands of pounds of unfit meat were offered for sale to Camp Travis, Tex., according to the information on which the complaints are based. Indictments were returned against the two packing concerns by a grand jury in the United States District Court for the Western District of Texas, charging violation of the fourth section of the food law, but these indictments failed. It was found that no penalty for violating this section of the food law had been provided.

The Federal Trade Commission has been informed that in addition to spoiled and unfit beef, the National Army cantonment at Camp Travis was offered chickens for sale which were unfit for human consumption.

The commission has decided that selling meat products carried with it the implied representation that such meats are wholesome and suitable for such use.

The hearing was held in New York. I hesitate to state what I am about to state, because it only came to me as rumor this morning. But I understand that the case was argued before the Federal Trade Commission in this city yesterday, and that it was stated—perhaps.

I had not better undertake to say—because it is only a matter of rumor, and the transcript of that hearing will appear.

But, in answer to your question, Senator Norris, what I have to say is this, that if the Federal Trade Commission would conduct its business in the way that courts conduct their business, in the way that is familiar to American business men and American lawyers and American people, and in harmony with the spirit of our institutions, there would be mighty little occasion for any kind of advertising that you speak of. But if this story about these chickens is the story that I told you yesterday, there is not any amount of advertising that all the packers could do in a year, if they spent \$25,000,000 for it, that would offset that untrue statement, if it is untrue, because every American mother that has got a boy in the Army thinks immediately that that boy is being fed meat unfit for him to consume, and she is outraged against the packers; and if it is true she ought to be outraged against her Government, because we have processes that let bad meat get to the soldiers. But my understanding of the situation is that the entire allegations in that complaint are untrue—I do not assume for a moment that the commission filed that complaint believing them untrue—but it was grossly and negligently careless beyond description to put out that kind of publicity and file that complaint if the facts are, with reference to the chickens, as I stated them yesterday to be and with reference to the meat, as I understand that to be.

Senator NORRIS. Mr. Butler, have you ever had access to the evidence that was before the commission when they filed that complaint?

Mr. BUTLER. I have not.

Senator NORRIS. You can not say that that was either true or false, then, or that any man would be justified in believing it was true from the evidence that was before them, can you?

Mr. BUTLER. No; I do not know about that.

Senator NORRIS. Your complaint is that it is not specific enough; that it does not allege dates, and so forth. Of course, I think a lawyer will admit at once that if that kind of a complaint was filed in a court it would be subject to a motion to make more specific and certain, and you think they ought to do the same as courts in that respect, as I take it.

Mr. BUTLER. That is right.

Senator NORRIS. If you are going on the theory that the rules that apply to courts ought to apply to the Federal Trade Commission, then where would you be and the chamber of commerce, if they are going to the Federal Trade Commission before they try a case and trying to outline to them the procedure that they should have or the methods with which they should conduct it.

Mr. BUTLER. We have never done that, Senator.

Senator NORRIS. You testified you met with them—and I am not criticizing you for doing that; I think that is one of the things they ought to do, that is the spirit of the law under which they are created, as I understand it. But that very law makes it entirely different from a court. If the proceedings that you had in going before them and criticizing them, had been in respect of the Supreme Court of the United States you would have probably gone to jail for contempt of court, as would also those brass-bed men when they appeared there.

So you are going on the theory in your practice that it is not a court, but when you want to criticize it here it seems to me you are assuming it is a court.

Mr. BUTLER. Of course, we could talk at some length about the differentiation, constitutional and otherwise, between legislative and judicial functions as conferred or attempted to be conferred upon the commission. But it would not be profitable, perhaps, and I should not presume to say that the commission should be a court.

The CHAIRMAN. My understanding is that the inflexibility of the procedure of courts and their inability to adapt themselves was one of the reasons why the Federal Trade Commission was constituted.

Senator NORRIS. Was not that one of the reasons that was given?

Mr. BUTLER. Oh, yes.

Senator NORRIS. And if that complaint had been filed in court and they had done nothing, newspaper reporters would have given them the same publicity. They would have spoken of these similar to what they did, even if they had been filed in a court under the rules of the court.

Mr. BUTLER. I would dislike to have this minor point which we are discussing at some length, get us away from the view that I want to impress upon you gentlemen in this connection, and that is that if the Federal Trade Commission had the spirit of this law in its membership no such thing as either one of these two things could have possibly happened. In the first place, this complaint, if they had any reason to believe it was true, would have been filed in the ordinary course and not accompanied by a brass band announcement such as this.

Senator NORRIS. If it had been filed in court now it would have been public, would it not?

Mr. BUTLER. It is filed now in the office of the commission.

Senator NORRIS. And you state a reporter could get it and publish it if he wanted to?

Mr. BUTLER. But, Senator Norris, does any court, judge, clerk, or otherwise take a report out of his files and run to the newspapers and tell them what has been done?

Senator NORRIS. No; I will be frank with you, and I hope you will be as frank with me.

Mr. BUTLER. I want to be frank.

Senator NORRIS. He does not do it, and there comes the difference between the commission as it is constituted and the court.

Mr. BUTLER. I do not want to make them similar; they are not the same.

Senator NORRIS. You are criticizing them on the theory that they do not do like a court, and yet you are with them on the theory that they ought not to be like a court?

Mr. BUTLER. I beg your pardon; I did not. I think it is the only reason why it is indulged. I do not believe these packers would be called upon to spend millions of dollars, which they must take from the people in the sale of their products, if that kind of matter were not given out by the Federal Trade Commission.

Senator NORRIS. These advertisement to which I have made reference, and which I have seen, make no reference to this report. Many of them appeared—thousands of them, I think—before this action of the commission that you speak of took place.

Mr. BUTLER. This is only typical.

Senator NORRIS. And they make no reference to the Federal Trade Commission. I have seen some of their advertisements telling about the patriotism of their employees, and how many bonds they have taken, and how much Red Cross work they have done, without advertising a thing, and it struck me right away how they were justified in spending their money in that kind of advertising when they did not advertise anything for sale, and when, as a matter of fact, they have not anything that will not sell without advertising.

Mr. BUTLER. This sort of publicity justifies it, in my judgment.

Senator NORRIS. Advertising that was used in response to such publicity, to be effective, would refer to these things, would it not, and deny them if they were untrue?

Mr. BUTLER. If I were the packers I would not make any reference to the Federal Trade Commission in my advertising.

Senator NORRIS. Suppose in response to that you put in an advertisement in a paper and said: "Our employees in Swift & Co., or some other company, have subscribed \$100,000 to the second issue of the liberty loan, and we have paid \$50,000 to the Red Cross funds." Would that be a justification, in your judgment—that kind of an advertisement?

Mr. BUTLER. I think this kind of publicity given out by an administrative agency of the Government of the United States does such irreparable damage that the expenditure of \$25,000,000 by the packers in a single year in any manner that they see fit to spend it would not begin to repair the injury.

Senator NORRIS. Let us just take that proposition. Assume that that is right, and you are going to advertise for them to offset this publicity that is given. Would you, in your advertisement, then refer to this; would you deny it in your advertising, and say to the people: "That is wrong; it is not true;" or would you advertise about something that was not for sale and that had nothing to do with that publication, and if you did so advertise what could be your object except to give some money to the newspapers in which you were advertising?

Mr. BUTLER. I think the object goes away beyond giving money to the newspapers. It goes to the idea of getting the people of this country to know that it is untrue that the packers are feeding the soldiers unfit meat, that they are not that kind of people.

Senator NORRIS. But if in the advertisement they made no reference to it, denying it or anything of that kind, would that kind of an advertisement have a tendency to refute what the Federal Trade Commission had published?

Mr. BUTLER. I suppose it is a matter of judgment on their part. But I certainly would not write a thing of this kind in an ad for the purpose of refuting it.

Senator NORRIS. Your purpose of advertising is to counteract that publicity given by the Federal Trade Commission?

Mr. BUTLER. That would be my object.

Senator NORRIS. And then in that advertising you would say "Our employees are patriotic and have subscribed for bonds." Do you think that would be an answer? Do you think that would make the widow feel any different who had a son in that war?

Mr. BUTLER. I do not know that a single expression or sentence would, but I think they have got to advertise to show that they are the same kind of people that all the rest of us are.

The CHAIRMAN. Your idea is that this paid advertising would manufacture a good reputation?

Mr. BUTLER. I think it is impossible, Mr. Chairman, as I have just said—I do not think they can ever overcome the effect of such publicity as this.

Senator NORRIS. Your object in advertising would be to overcome it, as I understand it?

Mr. BUTLER. Oh, yes; to whatever extent you can; but you can not do it completely.

Senator NORRIS. Would it have a tendency to overcome it, assuming now that it would have no influence on the editorial policy of the newspaper that you advertised in every paper of the United States without making any reference to these charges that were published?

Mr. BUTLER. I do not think there is any question about that.

Senator NORRIS. How could that have an influence except as it might indirectly affect the newspapers and create a sentiment through those favorable to the packers?

Mr. BUTLER. I can only tell you of an impression that I had made on me by an advertisement that I read since I have been in Washington of Swift & Co. They published a picture of a man with a very fine face. He was a very fine-looking man. They did not give his name, but they said, "This is one of Swift & Co.'s managers. He is the kind of man that Swift & Co. employ, and we have got them all over the country, and the people like our branch managers because they are good, clean men, and they like to do business with the people." That made a strong impression on me.

Senator NORRIS. Mr. Butler, you are a lawyer, and you know when a charge is made against your client of selling meat that was unfit for human consumption, and your client said it was untrue, and you wanted to come into court to make a defense, that if you alleged in your defense that you have a good-looking man in this town and another good-looking man in every other town running your business; that would not be any defense.

Mr. BUTLER. Senator Norris, there are two forums in the matter of the Federal Trade Commission against Wilson & Co. Wilson & Co. were unable to get a bill of particulars, and they brought in literally wagonloads of documents. They tried their case, and, I understand, they have won it.

They are in the other forum too, before the public of this country in another matter and in another way, and they do not necessarily have to try their cases involving the same subject before two different tribunals in the same manner. That is the way I view it.

Senator NORRIS. No. That is true. If you are going to try the case in the forum before the public, then your answers to the charge would make no reference to the charge; is not that your theory of trying it in that forum?

Mr. BUTLER. I commend their judgment in not perpetuating this kind of publicity.

The CHAIRMAN. You think it is better to advertise than to employ effective energy?

Mr. BUTLER. I think they do both.

The CHAIRMAN. I think it is beyond any challenge that they have a very efficient organization. I think it is to their credit, in a sense.

Mr. BUTLER. Gentlemen, in order to complete the record of our activities with the Federal Trade Commission, I want to state that our earliest connection with it had to do with its organization, jurisdiction and procedure, and personally I held numerous conferences with members of the commission, and the committee met with them and other members of the committee and of the commission met and had conferences on this subject. I met not only with members of the commission, but I met Mr. Brandeis and Mr. Ruble, who was then a commissioner, Mr. Stephens and others who are not on the commission now, and we spent a great deal of time at the commission, at the commission's request, in working up—I think I wrote some opinions with reference to these questions. In their early days they became interested in trade associations, and we went over that situation at numerous times; cost accounting, likewise; also the coal and lumber business occupied their early attention, and at the commission's request, I sat with them in Chicago when they conducted the Chicago hearing in their lumber investigation. We took up with the Department of Justice in the early days of the commission its relation with the commission, and it led incidentally also to the relations of the Department of Justice with business. I conducted the negotiations largely personally, but in the 10 or 15 visits that I had with the Attorney General and with the assistant to the Attorney General, Mr. Wheeler went with me once I think; Mr. Rhett, who was president of the chamber, went with me once; and, I think, Mr. Fahey, who has also been president, went with me once; and I think Mr. Alexander W. Smith, of Atlanta, another member of the committee, was with me once.

As a result of our interviews, in January, I think it was, 1916, the Department of Justice gave out a very comprehensive statement, expressing its attitude toward the Federal Trade Commission and toward business. So far as I know, that was the first and only public expression of that attitude. It was published throughout the length and breadth of the country, and it was helpful. It helped the Department of Justice, in that it tended to relieve any fears that business men had; it helped the Federal Trade Commission in that it established the Federal Trade Commission on a basis of equality, as expressed by the Department of Justice, with that department in matters in which they apparently had common jurisdiction. It was reassuring to the public interest, and we thought that as a result of our labor a great public good had been done in helping to bring business into a frame of mind where it would come not only to the Federal Trade Commission but to the Department of Justice in fairness and openly and candidly talk over with our governmental agencies the problems that confronted business men.

To resume very briefly, our attitude is simply this: That the commission does not have a proper conception of its functions.

The CHAIRMAN. Let me ask you a question or two. You said yesterday, and I think very wisely, that in the early days of the Interstate Commerce Commission there was very decided antagonism between the commission and the railroads?



Mr. BUTLER. That continued throughout practically until the railroads were taken over by the Government.

The CHAIRMAN. You thought that was to be lamented?

Mr. BUTLER. I did.

The CHAIRMAN. Do you not think during the latter days the railroads rather became reconciled to the commission and came to regard it as a rather wise and serviceable institution?

Mr. BUTLER. Some of them did not; many of them did.

The CHAIRMAN. Do you know whether in the early days of the commission any committee representing the railroads waited on the commission and told them it ought to be abolished and that its methods constituted an outrage?

Mr. BUTLER. I do not know, Senator.

The CHAIRMAN. That would have rather accentuated the condition of antagonism, would it not?

Mr. BUTLER. Yes, I assume so, if the commission was wrong.

The CHAIRMAN. Is it not the idea that the way to obviate antagonism between a governmental agency and a concern to be regulated and supervised is for the governmental agency either to be submitted by some private organization or to submit in silence and forbearance to the chastisements of these private organizations?

Mr. BUTLER. Mr. Chairman, public opinion will take care of that situation in its own way and in its own proper time. Personally, I appeared before committees of this Congress in 1910 and advocated, in my feeble way, the establishment of the Commerce Court. I was very much in favor of that court. The Commerce Court was created and it brought about its own undoing, and no commission or administrative body can exist in our Government and be arbitrary in its methods and in its administration of the laws without bringing the condemnation of the people down upon it.

The CHAIRMAN. Are your efforts and the efforts of your committee in the chamber of commerce part of a campaign to bring about the abolition of this Federal Trade Commission as the Commerce Court was abolished?

Mr. BUTLER. Decidedly no. We advocated the creation of the Federal Trade Commission. We desire its continuance, and we desire the administration of its functions in accordance with the spirit of the law in which it was created, which spirit was well expressed by President Wilson a year after the commission had been in existence and affirmed by him in language that I believe is quoted in this report, and in accordance with the spirit of Congress in enacting the laws creating the commission.

The CHAIRMAN. Incidentally, I will ask the stenographer at this point to insert copy of letter from James Callan, of Fort Worth, Tex., addressed to the President under date of September 10, 1918.

(The letter referred to is here printed in full, as follows:)

FORT WORTH, TEX.,

September 10, 1918.

His Excellency WOODROW WILSON.

*President United States, Washington, D. C.*

DEAR SIR: We condemn the assaults being made on the Federal Trade Commission by the meat-packing industry and approve their great work done in face of all the difficulties and obstacles that were interposed.

And, further, we respectfully urge upon you and the Congress of the United States at the earliest opportune time to press and pass such legislation as will

put into effect simultaneously the four recommendations made by the said Federal Trade Commission as a war measure.

Dictated by the executive committee of the Cattle Raisers' Association of Texas in session in Fort Worth, Tex., this 10th day of September, 1918.

JAMES CALLAN, *President*.

The CHAIRMAN. Mr. Butler, when did Mr. Heney's connection with the investigation terminate?

Mr. BUTLER. I do not know.

The CHAIRMAN. I thought you read a while ago that it was the 31st of March.

Mr. BUTLER. That was the time it was publicly announced. I do not know whether he was active in the preparation of this report after that time.

The CHAIRMAN. You do not know whether the packing concerns ever threatened to slack in the April liberty loan drive unless this investigation was terminated?

Mr. BUTLER. No; I do not.

Senator NORRIS. Would you prefer going ahead with your statement now, Mr. Butler, and let me question you later, or that I should question you now?

Mr. BUTLER. I will wait until you question me.

Senator NORRIS. Do you know the total membership of the chamber of commerce?

Mr. BUTLER. I have not the slightest idea.

Senator NORRIS. Do you know the total amount of property represented by them—owned by the various officers?

Mr. BUTLER. I do not.

Senator NORRIS. Do you know whether, when any member of the chamber of commerce violates any rule of good ethics, or does things that are not right, the chamber of commerce takes the matter up with such member? Does it ever try to correct any evils of its own members?

Mr. BUTLER. Of course, the membership of the chamber consists most largely of the associations. I suppose if an association became a "bad actor," so to speak, the chamber might take some notice of it.

Senator NORRIS. Do you know whether it has ever tried to discipline any of the members?

Mr. BUTLER. No; I am not in a position to know anything about that.

Senator NORRIS. They might do that and you not know it?

Mr. BUTLER. Yes.

Senator NORRIS. Do you know whether the chamber of commerce has made, or is making, any investigation in regard to farmers' organizations?

Mr. BUTLER. I do not know. I never heard of any.

Senator NORRIS. Are you acquainted with the National Agricultural Society?

Mr. BUTLER. I never heard of it.

Senator NORRIS. Do you know G. Howard Davison?

Mr. BUTLER. I never heard of him.

Senator NORRIS. Then I presume I can not ask you the questions I was going to ask about that organization. There appeared in the Washington Star a news item on December 26, in regard to this National Agricultural Society, a statement made by G. Howard

Davison, chairman of the executive committee. Has that ever been brought to your attention?

Mr. BUTLER. No; I never heard of it.

Senator NORRIS. You do not know anything about it?

Mr. BUTLER. Nothing whatever.

Senator NORRIS. I want to ask you a question about something which I thought was in your report, but which it appears is not there. Do you know anything about the action of the chamber in regard to trade with Germany?

Mr. BUTLER. No, sir.

Senator NORRIS. You do not know whether the chamber has taken any action in regard to the prevention of any boycott against German goods, or anything of that kind?

Mr. BUTLER. No, sir; I do not.

Senator NORRIS. Or whether they have been in communication with any agents in Germany during the war?

Mr. BUTLER. I do not know anything about it. I never heard the subject mentioned. My activities with the chamber, I believe, have been exclusively with the Federal trade committee.

Senator NORRIS. I want to read you a resolution:

*Resolved*, That the Chamber of Commerce of the United States of America earnestly calls the attention of the business men of Germany to these conditions—

which they have set out before—

And urges them also to study the situation and to cooperate, to the end that a disastrous economic war may be averted and that a lasting peace may be made more certain.

Do you know anything about the passage of such a resolution by the chamber of commerce?

Mr. BUTLER. I should think the date of that resolution might have considerable bearing—

Senator NORRIS (interposing). Well, if I can get the date from this report I will give it to you. [After a pause.] I can not. You might go on with your statement and if I find the date later I will give it. You do not know anything about it, anyway?

Mr. BUTLER. I never heard of it.

Senator NORRIS. All right; you may proceed with your statement.

Mr. BUTLER. I wish to clear up a little matter with reference to dates that was not quite clear in the record of yesterday. The first report that was put in final shape was submitted to the board of directors at its meeting held on the 25th day of June of this year—I think it was the 13th day of June, was it not, Mr. Redpath?

Mr. REDPATH. It was the 25th; your meeting was on the 13th.

Mr. BUTLER. The 25th day of June. That was several days prior to the publication of the profiteering report, so called.

Senator NORRIS. That is the report made by the Federal Trade Commission?

Mr. BUTLER. Also made by the Federal Trade Commission, the language of which is referred to in our report here under consideration.

The board of directors considered the situation so serious that it referred the subject matter to the Federal trade committee with the suggestion that if we were certain that our position was correct the

matter of the report should be put in such shape that the directors would be authorized in submitting it to the President if that was deemed advisable.

Accordingly, the report was taken back by us and rewritten almost in its entirety. Of course, it was submitted to the board of directors.

We had first the profiteering report; that was released late in June, I think about June 29; and subsequently, and while we were working on the report, the packers' report, which was released the 8th day of August.

That will clear up a statement that was made in the record yesterday, to the effect that the packers' report was released in June or July.

Senator NORRIS. Well, I think that date had reference, Mr. Butler, to the time the packers' report was made. The packers' report was made, as I understand it, the latter part of June or early in July, I do not remember which; but it was not released for publication by the President until in August.

Mr. BUTLER. And we did not hear of it until it was so released, just a few days before this report in its present form was signed.

Now, just one word more, and I will conclude:

We do not favor the abolition of the Federal Trade Commission. The commission has a place, a very large field, in our form of government, for its proper activities. It was created, very largely, because of the fact that the Attorney General himself, whoever he might be—and there were a number of them during the existence of the Sherman law—and the assistant to the Attorney General who had in charge the enforcement of the Sherman law, were unable to tell satisfactorily what set of facts constituted a violation of that statute, and what facts did not. There was uncertainty, not only on the part of the Government, but on the part of business, and it had a serious adverse effect upon business, and upon the prosperity of the country at large.

The situation was simply this: That the Department of Justice had no jurisdiction except to prosecute criminal offenses. There was no agency of the Government that a man could talk with or go to, or advise with, concerning his business troubles.

And President Wilson reflected the sentiment of the country in his address delivered to the joint session of the Houses of Congress on January 20, 1914.

On September 6, 1916, after the members of the Federal Trade Commission had held office for nearly a year and a half, the President made this statement:

The Federal Trade Commission has been created with powers of guidance and accomodation which have relieved business men of unfounded fears and set them upon the road of hopeful and confident enterprise.

The committee of the chamber, and the chamber itself, concurs in that sentiment as of the date it was expressed. It was true; there was hope; there was light; there was cooperation; there was hopefulness; there was the proper spirit of interpretation and administration of the Federal Trade Commission law and of the Clayton law.

Senator NORRIS. What was the date of that?

Mr. BUTLER. September 6, 1916; and it was about six months after that that our committee had its meeting with the commission at which this news print paper report was discussed.

Now, there is one difficulty with the situation, and that is that there are only three commissioners there——

Senator NORRIS (interposing). Well, I do not want to interrupt you if you would rather go on with your statement; but I want to ask you a question or two about that condition that the President described.

Mr. BUTLER. Yes.

Senator NORRIS. I agree with you; I think he made a very good statement of it, and that was really the object of the commission. How long after that did the Chamber of Commerce form the opinion that the Federal Trade Commission was not helpful to business?

Mr. BUTLER. Well, we really did not come to that conclusion until, I think, the month of May or June of this year, when we left them after talking with them about the news print paper report and their treatment of the little manufacturers of brass beds.

We were assured by two of the commissioners, and it was the spirit of the interview, that there had been no change in the commission's attitude; the thing that brought us there, they said, had no foundation in fact; and we were definitely assured by one of the commissioners that he would see to it that such language as had been used would not be in evidence again in their reports.

Senator NORRIS. Then, after this brass-bed episode, you still retained confidence in the commission, did you?

Mr. BUTLER. Yes.

Senator NORRIS. I judge that you were satisfied with the interview that you had at that time, were you not?

Mr. BUTLER. Senator Norris, the sending of those fellows to the Department of Justice, as I understand it, did not happen. That showed the attitude of the commissioner who had this talk—and he was only one of five at that time.

Senator NORRIS. And the other commissioners overruled him?

Mr. BUTLER. Well, it was brought about by the activities of one of the commissioners whose recommendation was not carried out.

Senator NORRIS. Yes. Well, then, how long after that was it before you became distrustful? You still had confidence in the commission then, did you?

Mr. BUTLER. Then it was not until the Heney performance; and personally I assumed, and I expect the assumption was based on hope, that Mr. Heney's conduct of that investigation expressed his own personal attitude, and did not have the sanction or countenance or approval of the commission itself.

Senator NORRIS. Well, in the report of the commission, the report from which I have read here to-day, do you not think that the commission states that the conduct of the attorneys and some of the parties in that packers' investigation was such that it was difficult even to get the truth? They charge them with even trying to conceal the truth from the commission. Do you remember those statements, in substance, in their report?

Mr. BUTLER. Yes, I think so.

Senator NORRIS. Well, if that is true, assuming that to be true, do you not think it would justify somewhat the conduct of the commission, when they had to meet that kind of opposition; that it would be some justification for the conduct of which you complained, even though it might not be full justification?

Mr. BUTLER. Such autocratic methods as the commission employed through Mr. Heney in conducting that investigation if employed by him, or any other representative of the commission against a client of mine, I should feel justified in resorting to any measure whatsoever to counteract it. That autocratic conduct is just exactly the sort of thing that our armies are fighting on the other side of the water to-day.

Senator NORRIS. Would you conceal evidence from the commission as—

Mr. BUTLER (interposing). I certainly would not let Mr. Heney get hold of the papers and documents that belonged to my client for any such perverted use, without an opportunity to introduce the whole record, to cross-examine and to present my own witnesses—under any circumstances; and there is no law in this country that would compel me to do so.

Senator NORRIS. Well, you still have not answered my question, Mr. Butler. Would you conceal evidence from the commission? Would you think that would be justifiable?

Mr. BUTLER. I would conceal evidence from Mr. Heney, and if the commission should come along and say that it was behind Mr. Heney I might take some other view of it.

Senator NORRIS. Would you feel justified in coaching witnesses so that they could deceive the commission in giving their evidence?

Mr. BUTLER. Oh, no; not at all.

Senator NORRIS. In substance, they make that charge also.

Mr. BUTLER. I have not heard of that.

Senator NORRIS. I think it is in the report. The stenographer has taken the report away or I would read it to you.

Mr. BUTLER. Well, I would not believe it if it was in the report, if that report was prepared by Mr. Heney.

Senator NORRIS. Well, do you know it was prepared by Mr. Heney?

Mr. BUTLER. No; I say if it was prepared by Mr. Heney.

Senator NORRIS. Oh, I thought you said it was. You may proceed, Mr. Butler.

Mr. BUTLER. Well, the chamber of commerce wishes the commission to stay right where it is. It is satisfied with the law—not that it may not be amended from time to time, but to-day things are all right, if the right kind of men are on that job. The President has the power of removal of commissioners and he has the power of appointment, and there are two vacancies on the commission now, and if he appoints men of the right viewpoint, men who have the same conception of the law as he himself has, that commission will be one of the greatest instrumentalities for usefulness that represents the Government in any of its branches.

As it is to-day the commissioners, so far as I know, are the only utterly discredited administrative body connected with our Government.

Senator NORRIS. Do you think the President, in appointing the commissioners now in office has not appointed men who, in his judgment, filled the qualifications that you have just outlined?

Mr. BUTLER. Oh, not at all. I think that—

Senator NORRIS (interposing). Do you think the President disagreed with the present commissioners in their findings on the meat-packing establishments?

Mr. BUTLER. I would not undertake to say. I do not believe he can be very happy over their conduct.

Senator NORRIS. Here is the statement in the report of the commission that has just been handed to me:

The commission, through Mr. Heney, had to meet the deliberate falsification of returns properly required under legal authority. We had to meet schools for witnesses, where employees were coached in anticipation of their being called to testify in an investigation ordered by you—

They were referring to the President there—

And by the courts of the United States. We had to meet a situation created by the destruction of letters and documents vital to this investigation. We had to meet conspiracy in the preparation of answers to the lawful inquiries of the commission.

Now, if that charge, made in the official report of the commission to the President, is true, do you not think they would be justified, at least partially, in the course that they pursued in getting the evidence? Would not the commission have to be a little more severe, perhaps, in gathering the evidence if it was contending against people who were resorting to those methods than it otherwise would?

Mr. BUTLER. If the commission in that report had set forth as fully as that the reasons why that conduct was necessary, I do not think your opinion and mine would disagree as to the necessity for that conduct.

Senator NORRIS. Perhaps not. But you will notice that they did not say that this happened after the conduct of Mr. Heney of which you complain; they say they were confronted with that; they had to meet that.

Mr. BUTLER. Well, Senator Norris, I have not any doubt that if the commission had proceeded in an orderly, helpful manner to conduct this investigation it would have met with not the slightest opposition on the part of the investigated.

Senator NORRIS. You may proceed.

Mr. BUTLER. And of course, if the commission continues to administer the law in the way that it has, there is no remedy except further legislation, which I believe will result as following upon popular demand, for the abolition of that body.

Senator NORRIS. Well, do you not think that the public will look more at the substance and less at the form than your chamber of commerce does, and that they are going to be concerned more in the truth or falsity of the findings which the commission makes than in the methods that they pursue and the language that they use in making these investigations?

Mr. BUTLER. Well, Senator Norris, your question leads a little bit away, if you will pardon me for saying so, from the real point involved. Of course, the people of this country are interested in knowing that their laws to prevent crime are not persistently and constantly violated. But they are much more interested in knowing that their laws are enforced in a proper and orderly manner, and not arbitrarily and without the application of all of the safeguards that Anglo-Saxon people have been accustomed to for centuries.

Senator NORRIS. I agree with you that the law ought to be enforced in a lawful way, and that anybody who enforces the law in an unlawful way is subject to criticism; it ought not to be done.

But as I understand your position and the position of the chamber of commerce it is this: That, while the commission may have reached a just conclusion and its statements may be true—those things you do not question—you do object to the methods that they followed in reaching those conclusions and the language that they use in describing them.

Mr. BUTLER. And to the spirit that underlies those two things.

Senator NORRIS. Yes. Well, of course, if they used improper language and an improper method, I think it would follow that the spirit that moved it would be as improper as the method.

So that there is one point in all this investigation that your chamber really has not investigated, it seems to me—and I am inclined to think that people who are not able to draw the nice distinctions that you can and that the members of the chamber can as to methods of procedure do not appreciate this—and that is, that the ordinary individual cares more for reaching the absolute truth in the end than he does for all of the polite distinctions that might exist along the road that we would have to travel to reach them.

Mr. BUTLER. And the ability to do that very thing will be forever destroyed if we tolerate such autocratic methods in the administration of our laws.

Senator NORRIS. Well, if the methods used have not been right, of course we ought to remedy them. But notwithstanding that, if the truth has been told by the commission and these terrible things exist affecting the food products of the country upon which we are depending for life and for success in the war; if these are true, the same people that demand a reform in methods I think would go even further in demanding the abolition, or in demanding the taking of any steps that may be necessary to abolish the existence, the possibility of the existence of such things as the commission says have existed in the meat-packing business and allied industries.

Mr. BUTLER. Well, that may be true; but as I have indicated, I do not have very much respect for their conclusions, because their investigation was ex parte and the packers have not been given any opportunity to be heard or to cross-examine or to do anything else. It was an unprecedented proceeding in our country, so far as I know; and if it is not suppressed before it has a chance to extend among our administrative bodies, it will imperil our form of government.

Senator NORRIS. Yes. Of course, we also ruin our form of government if we permit the very sustenance of life to be monopolized by a few people, no matter who they might be—

Mr. BUTLER. If a small part of what the commission says about the packers be true the Department of Justice ought to be impeached, from the Attorney General down.

Senator NORRIS. Well, in their recommendation—I do not know that it would be profitable for us to go into that, because honest men disagree about it, probably—but one of their recommendations is, speaking from memory and not attempting to quote it literally, that the packers are enabled to continue this monopoly because they control, for instance, the stockyards and the refrigerator cars—in other words, the market places.

Have you given the subject sufficient consideration to know whether you agree that the control of the marketing facilities and transpor-



tation facilities for meats would enable them to monopolize the price?

Mr. BUTLER. I have.

Senator NORRIS. Do you think that the control of stockyards by the packers is a good thing?

Mr. BUTLER. I do not know of anybody else that would ever have built them—put them up; they had to do it.

Senator NORRIS. That does not answer my question.

Mr. BUTLER. Yes; I think it is all right.

Senator NORRIS. You think they ought to continue to own them?

Mr. BUTLER. I do. I do not know any reason why that part of the business should be taken away. If the department is going to take over the packing industry, I would take over the whole packing industry.

Senator NORRIS. Well, eliminating the question of taking over the packing industry, which, so far as I know, the commission does not believe in; they have not advocated it in their report; that is a separate thing, is it not, from the stockyards?

Mr. BUTLER. Yes.

Senator NORRIS. The stockyards are really a market place, are they not?

Mr. BUTLER. Yes.

Senator NORRIS. Do you believe that a public market place ought to be owned, and the rules and regulations made and controlled by the people who do the buying at that market place?

Mr. BUTLER. Well, Senator Norris, I believe I can answer that by saying that I know that where that situation exists, the packers are fighting every day to buy live stock at less than they are able to buy it for, and they—

Senator NORRIS (interposing). Now, if they own and control the market place, that would help them a good deal to carry out that scheme, would it not?

Mr. BUTLER. Well, that is the point I am making: their ownership and control of these stockyards has not enabled them to do it; they still have to fight and compete with each other, and with other buyers, to compete with hordes of people who come from all over the country to buy and sell—little fellows and big fellows.

Senator NORRIS. The commission says in its report that the packing houses, by reason of their ownership of the stockyards—that that is one of the reasons—are enabled to prevent that very competition that you say exists and are enabled to make rules and regulations by which the independent man can not get in. Do you believe that part of the commission's report to be true?

Mr. BUTLER. I believe that if the commission had conducted this investigation in the spirit of the law, it would not have made that finding, because I do not—

Senator NORRIS (interposing). Do you form that opinion now from the evidence that they had?

Mr. BUTLER. No, but from what I know of the situation.

Senator NORRIS. Well, of course you would have to admit that, if you were to pass on that question as a judge, you would not take judicial notice of your own knowledge and exclude any other evidence.

Mr. BUTLER. No, I would try not to do so.

Senator NORRIS. So that you are not in as good shape, are you, as the commission was to pass on that question?

Mr. BUTLER. The commission did not put itself in shape to pass on this question at all. That is what I am objecting to.

Senator NORRIS. Well, you do not know, you say, what evidence they had.

Mr. BUTLER. Well, I know that they did not have the evidence they ought to have had; they would not let the packers come in and introduce evidence.

Senator NORRIS. Assuming that they would not, they still had the evidence. On that evidence they made the findings—although it seems to me that anyone would know just what the stockyards are without any evidence, and that they are supposed to be a public market place where competition would be unrestrained—yet if that market place was owned by the man who was going to do the buying, would you not fear that he might interfere with the price that the seller might get?

Mr. BUTLER. Well, I admit that if the facts with reference to the thing were not known, it might look as though the man that owned the market place and provided the rules and regulations under which the stock was sold, might have some advantage in making his purchases. But it is shown, in long years of experience, that the price of live stock of every description goes up when other prices go up, and all that the powerful packers can do to prevent it is of no avail, regardless of their financial strength, their ownership of the market place, their control of terminal facilities, or refrigerator cars, or anything else—they are not able to meet it.

Senator NORRIS. I agree with you that they probably could not control it completely, but I think you would agree that on your own statement their ownership of the stockyards, the refrigerator cars, and terminal facilities, would give them a great influence to affect it. I do not think even the commission claims that they have absolutely controlled it always.

Do you not know, Mr. Butler, that in the last year the farmers and the stockmen who have had to sell their stock in the various stockyards of the country have almost all of them lost money on every head of stock that they have sold in those markets?

Mr. BUTLER. That depends on the way they figure profits. If they figure in as costs all the profits on the feed that they raise and sell to themselves and then feed to their animals, they may figure out a loss on their live stock.

Senator NORRIS. You may figure it in any way you want to, but in no case, practically speaking, can they even pay for their own work and their own time. The evidence is before this committee in hearing had some time ago show that almost without exception every stockman and every feeder who sold steers and practically every farmer lost money on every head of stock that he sold, and that they never counted in their own time or work in any way whatever.

Mr. BUTLER. Well, I do not know anything about that, and I never heard of it before.

Senator NORRIS. Well, if that is true, would that not have some effect on your mind in passing on this question?

Mr. BUTLER. Well, under war conditions, I do not know; but I say that over a period of years, under normal conditions, the stock dealers and stock raisers of this country have made many hundreds of millions of dollars under this present system; and their market place has been the place that these packers own.

Senator NORRIS. And the only market place that they had. In practice, they have been compelled to go into these market places that are owned by the men who are going to buy their stock.

Now I want to ask you another question: Do you know anything about the New Jersey Zinc Co.?

Mr. BUTLER. No, I do not.

Senator NORRIS. Do you know whether it is a member of the chamber of commerce?

Mr. BUTLER. I do not.

Senator NORRIS. In this profiteering report that you refer to, made by the commission—that was made June 27, 1918, I think, to the Senate, in response to a Senate resolution; I will read you a paragraph of the report there:

Most of the evidence in the Commission's possession indicates no unusual profits in the zinc industry, with the exception of the operations of the New Jersey Zinc Co.

Basing percentage on the capital stock issue of \$35,000,000, the following net earnings and dividends are shown for the New Jersey Zinc Co., according to published statistics: 1916, profits, 72.5 per cent, dividends 76 per cent; 1917, profits, 56 per cent, dividends 46 per cent. The Federal Trade Commission's figures as to these same net earnings and dividends are available only for 1916, and indicate profits of 95.9 per cent, with dividends of 76 per cent.

These large earnings do not indicate excessive profits on metallic zinc. The company's profits on common spelter are very low, and on grade A spelter, while high, are due to the fact that it possesses a natural monopoly of a certain high-grade ore, the product of which can not sell for less than the zinc produced by competitors. In fact, the whole explanation of the New Jersey Zinc Co.'s large profits lies in its possession of an ore body of unusual richness and purity.

Now the question I want to ask you refers to the subject of advertising again. The New Jersey Zinc Co. is one of the largest advertisers in the country. I think in the last issue of the "Saturday Evening Post", you will find a whole page advertisement of the New Jersey Zinc Co.; and yet they do not advertise in their advertising any particular thing to sell. In fact, if this report of the commission is right, there is not any occasion whatever for their advertising anything whatever because they have such a monopoly, as they say, of the product.

Would you say that they were justified in carrying on this nationwide scheme of advertising, and, if so, on what theory?

Mr. BUTLER. Well, I would not be able to answer intelligently either question. I do not know what they have in mind at all. I do not recall now that I ever saw any of their advertisements.

Senator NORRIS. Well, you will find that they have page advertisements in various magazines. I have some in my office, but I have none with me. They will have a whole page advertisement with just a little bit of printing in the middle of the page.

Mr. BUTLER. Yes.

Senator NORRIS. And they use a whole page in that way. Now, do you not believe that such advertising by concerns that have nothing to sell in their advertising, because they have a monopoly of

their business, is done for the purpose of influencing public opinion through the instrumentality of the public press?

Mr. BUTLER. I do not know what its object would be in influencing public opinion. I do not know of the New Jersey Zinc Co. I never heard of it as a monopoly or otherwise. I think there are a couple of men in Chicago, named Jones, who are interested in it; but that is only a guess. I do not know why they advertise.

Senator NORRIS. Well, there is another point: Under the law that exists now, the Federal law, they have to pay a very large tax, and do pay a very large tax, notwithstanding their immense profits; and, of course, the fact that they are getting an immense income makes the tax climb up until, as a matter of fact, it reaches a very high point—63 per cent, I believe, of the surplus income is paid into the Treasury.

Now, does not this appear to you, that when they reach that stage it does not make very much difference to them whether their surplus is spent or whether it is kept? If they keep it, the larger portion of it will go to the Government as a tax. If they spend it as an advertising expense, they only put into that advertising expense their proportion of the tax, and, as a consequence, it simply means that the taxpayers of the country are paying for the major portion of those advertisements.

Mr. BUTLER. Well, of course, that happens in every business; every business tries to pass along every item of cost to the consumers.

Senator NORRIS. Well, it does not happen to any appreciable extent, unless the income is so large that the tax on its surplus becomes very high.

Mr. BUTLER. Well, I think any item of expense, no matter how small, is always carried on the books, and, in turn, prices are supposed to be made with reference to cost.

Senator NORRIS. Oh, yes; this advertisement of the New Jersey Zinc Co. is carried as an expense?

Mr. BUTLER. Yes.

Senator NORRIS (continuing). And yet, if the advertising is useless, as it seems to me it must be for any legitimate purpose, it would mean that from 60 to 70 per cent of what is paid for advertising ought to go into the Federal Treasury in taxes.

Mr. BUTLER. Well, I do not know anything about that situation, Senator Norris.

Senator NORRIS. Are you through with your statement?

Mr. BUTLER. Yes, I am through.

Senator NORRIS. I have no further questions.

Mr. LASATER. Mr. Chairman, may I make a brief statement at this time? Mr. Butler has made certain statements that I would like the privilege of answering, in not to exceed five minutes.

Senator NORRIS. All right; you may proceed.

#### STATEMENT OF MR. E. C. LASATER, OF FALFURRIAS, TEX.

Mr. LASATER. I would like to state to this committee that the campaign of publicity that has been going on in the press of the country, conducted by the packers, did not originate at the time this Heney investigation commenced, but practically was contemporane-

ous with the agitation to bring this investigation about. That was about two and one-half years ago.

Now, Mr. Butler made the statement here in regard to the effect of one of the advertisements of Swift & Co. upon himself; it was an advertisement where Mr. Swift praises the managers of his sales agencies throughout the country.

I would like to submit to the committee, with its permission, some indictments showing convictions of Swift & Co.'s branch agencies situated in New York City, for selling unsound, unwholesome food to the public. May I have your permission to file such facts here in this connection?

Senator NORRIS. Yes, you may file them.

(The material referred to was subsequently submitted by Mr. Lasater, and is here printed in full, as follows:)

In regard to the charge made by the Federal Trade Commission that the packers have sold meat and other foodstuffs unfit for human consumption, and the denial of such charge by Mr. Rush C. Butler in his testimony, there is filed herewith an affidavit by Alfred W. McCann, of New York, showing various pleas of guilty on the part of the packers, and convictions also where they contested the charge, showing that the Federal Trade Commission was fully justified in the charge made in its report:

STATE OF NEW YORK,

*City and County of New York, ss:*

Alfred W. McCann, being duly sworn, deposes and says:

In 1913 I learned that the Woolworth 5 and 10 cents stores were selling pound cakes in New York City purchased at 7 cents a pound, less 2 per cent, from the Fernald Pound Cake Co., Jersey City, and that the pound cakes were made of rotten eggs. I traced the eggs through interstate commerce to Jersey City.

A large supply of these rotten eggs originated with Armour & Co., New York City. Mayor Mark M. Fagan of Jersey City assigned a group of plain clothes men to my assistance, and we rounded up the men who broke out and prepared the rotten eggs for sale to the bakeries. The Department of Justice took hold of the case, interstate conspiracy charges were made against the malefactors, and in the United States District Court of Trenton seven of them were found guilty and sentenced by Justice Reistab to a year each in the penitentiary. In this case neither the Woolworth Co. nor Armour & Co. were prosecuted.

Until my activity in cases of this nature, the Federal Government, the State government, and the municipal government of New York City had failed to act. The inspectors ignored the packers, devoting their time to insignificant offenders.

I was able to prove during 1916 and 1917 through the assistance of Commissioner of Accounts Leonard M. Wallstein that a group of Brooklyn slaughterers were paying bribe money to officials of the New York health department.

Following the collection of \$1,125 in cash graft from the Brooklyn slaughterers through a secret agent operating under the direction of Commissioner Wallstein, grand jury indictments were handed down May 27, 1916, against 10 slaughterers, charging them with having bribed and corrupted public officials in their traffic of killing and dressing diseased animals for human consumption.

All these indicted men pleaded guilty except two, who stood trial and were convicted, and the third, who was acquitted on a technicality. The two guilty men were sentenced to Sing Sing. Nine officials of the department of health were dismissed from service, but although the indicted and convicted men confessed that they had paid bribe during the past 20 years, up to the day of their arrest, none of the involved officials have ever been tried.

The authorities who were thus exposed in this case were never connected in any graft transactions with the packers, but the immunity enjoyed by the packers has always seemed to me significant.

June 23, 1913, endowed with authority by Mayor Fiske, of Mount Vernon, I found in Armour & Co.'s Mount Vernon branch 1,350 pounds of putrid pork loins and putrid spareribs. I reported the facts to Mayor Fiske, who deputized

one of his representatives to return with me to the Armour plant. Still concealing our identity, we asked Armour & Co. to name a price on the stuff, the market price of which on that day was 14 cents. They said we could have it at 8 cents a pound on the assumption that it would be perfectly good for sausage factory purposes.

We again reported to Mayor Fiske, who directed Dr. Charles H. Quinn, health officer, to return with us to the Armour plant. Dr. Quinn condemned the meat and ordered it destroyed. No prosecutions followed.

September 5, 1913, Sulzberger & Sons Co. were convicted in the court of special sessions, Brooklyn, and fined \$500 by Justices Fleming, Forker, and Salmon. I was able to prove that Sulzberger & Sons Co. had sold rotten spareribs at 7½ cents a pound to J. L. Wertheimer, a Brooklyn butcher. The market price for sound spareribs at the time was 12 cents a pound.

The evidence showed that Wertheimer had purchased the best of the lot, and was curing them in the toilet of his establishment when detected. Caught with the goods, Wertheimer confessed that there were more of the same kind in the Sulzberger establishment. I used his phone and purchased the balance of the lot, consisting of seven boxes.

I did not know that Wertheimer did not have a wagon of his own. When I informed Sulzberger & Sons Co. that I would drive down at once with my wagon for the balance of the stuff their suspicions were aroused and they hid their contraband product.

In the meantime I had notified the health department by phone of what I had found. Inspector Fred Pickel was immediately sent to the Wertheimer shop, where he condemned and denatured the rotten meat. Pickel then accompanied me to the Sulzberger establishment where after an hour of wrangling, in which I disclosed my identity, Sulzberger's manager confessed that the stuff was hidden in Swift & Co.'s Federal inspected ice box, North Sixth Street, Brooklyn.

Following this information I notified the health department of the situation and four other inspectors were sent to my assistance at once. The six of us then went to Swift & Co.'s establishment, where, notwithstanding the presence of Federal inspectors on duty, we found the rotten spareribs, together with a lot of other rotten meat.

John C. Schmidt, Swift & Co.'s manager, incensed by the disclosures of the Sulzberger & Sons Co.'s plant, threw the entire lot of putrid meat into the street and ordered his men to cart it back to Sulzberger's establishment.

General Manager Finkelty, of Sulzberger & Sons Co., under cross-examination at the trial admitted the truth of these facts. Sulzberger & Sons Co. were defended by Ex-Judge Nathan Unger, but were convicted nevertheless.

Swift & Co. were not molested, and the United States Bureau of Animal Industry did not discipline either of the two Federal inspectors, who in the interest of Sulzberger & Sons Co. had permitted a Federal-inspected establishment to be debauched in this manner.

September 24, 1913, John A. Ball was convicted in the court of special sessions, New York City, on a charge of offering for sale 670 pounds of rotten veal and rotten ribs of beef. He was fined \$250.

It subsequently developed that Swift & Co. were concealed under the identity of John A. Ball, who was manager for George Hotchkiss & Co., a subsidiary of Swift & Co., doing business over Swift & Co.'s phone, Chelsea 251.

December 1, 1913, Swift & Co. was again convicted and fined \$250 in the court of special sessions, New York, by Justices Moss, Fleming, and O'Keefe, on the charge of offering for sale a lot of decomposed pigs feet.

On the same date, in the same court, before the same justices, Hotchkiss & Co., Swift & Co.'s subsidiary, were convicted and fined \$100 on a charge of offering for sale four flanks of putrid beef. Manager John A. Ball, under cross-examination admitted that the rotten meat had been sold to an itinerant dealer, Ike Meyer, who peddled meat from a cart in the east side districts. Meyer under cross-examination admitted that he had already succeeded in disposing of four rounds of rotten meat purchased from the Swift & Co. subsidiary, and that he owned the rotten flanks discovered in the Swift & Co. establishment but had not yet called for them.

October 10, 1913, Swift & Co. were convicted on the court of special sessions, Brooklyn, by Justices Collins, O'Keefe, and Moss, on a charge of selling rotten frankfurter sausages. A fine of \$500 was imposed.

January 20, 1914, in the court of special sessions, Armour & Co. were convicted by Justices Herman, McInerney, and Zeller, on a charge of trafficking in

rotten eggs for baking purposes. The same court on the same day also found Charles Weissman guilty of trafficking in rotten eggs for baking purposes, and sentenced him to 60 days in jail.

Weissman produced as evidence at the trial a bill from Armour & Co. showing that he had purchased 62 cases of rotten eggs from Armour & Co at \$1 a case, a fraction over 3 cents a dozen. There are 30 dozen eggs in a case. Armour & Co. were fined \$500.

Swift & Co. were convicted at the same time and fined \$500 on a charge of offering for sale 171 cans, 30 pounds each, of rotten eggs that had been broken from the shell.

In the Armour & Co. case the evidence disclosed the fact that Armour & Co. were shipping rotten eggs to Elizabeth, N. J., and that Charles Weissman, who was sentenced to 60 days in jail, had been buying rotten eggs from Armour & Co. through a partnership existing between Weissman and Philip Edelberg, under the name of Philip Edelberg & Co., Jersey City, and that the Edelberg company furnished the Fernau Pound Cake Baking Co. of Jersey City with the rotten eggs used in the production of the Woolworth 5 and 10 cent store pound cake.

January 27, 1914, 1,325 pounds of putrid sausage sold by Sulzberger & Sons Co. to the United States Navy were seized in the Kings County Refrigerator Co., 14-16 Hall Street, Brooklyn. The sausages had been manufactured in Federal inspected plant 20-R, Richmond, Va., from which establishment 254 boxes had been shipped to the navy yard at Norfolk, Va.

The original consignment consisting of 6,350 pounds had been rejected by the Government. Sulzberger & Sons Co. thereupon shipped the stuff by the Adams Express in two lots, 92 boxes in one lot and 162 boxes in the other, to their own plant in Brooklyn. Before the condemned stuff was finally seized and destroyed by the New York Health Department 150 boxes containing 3,750 pounds, had been sold by Sulzberger & Sons Co. to butchers.

I discovered the unsold stuff in the Kings County Refrigerator Co., January 26, 1914. Through the publicity I was able to give to the fact compelled the health department to act at once.

Dr. Long, chief of the Brooklyn division, United States Bureau of Animal Industry, was called in to inspect the sausages before their condemnation. They were green, gray, brown, sour, slimy and putrid.

January 12, 1915, Swift & Co. were convicted in the court of special sessions, New York City, by Justices Russell, Moss, and Herman for trafficking in green, sour, slimy, putrid pork butts, hidden in the Merchants Refrigerator Co., 7 Harrison Street, New York City. Swift & Co. was defended by State Senator James J. Walker, who was unable to obtain an acquittal.

December 31, 1914, the appellate division, first department of the supreme court, handed down a decision by Justices Ingraham, McLoughlin, Scott, Dowling, and Hotchkiss, sustaining four judgments of the court of special sessions against Swift & Co., for trafficking in putrid grass calf meat, putrid flanks of beef, and frozen, rotten eggs, intended for bakers' use.

Swift & Co. were represented by Attorney John B. Stanchfield, whose fame and influence failed to avail his clients in the face of the evidence against them.

January 23, 1915, Swift & Co. were convicted in the court of special sessions, New York City, by Justices Salmon, Herman and McInerny for the sixteenth time in two years on a charge of trafficking in putrid food. Swift & Co. was defended by State Senator James J. Walker, but was fined \$500.

January 25, 1915, Swift & Co. were convicted for the seventeenth and eighteenth time within two years in the court of special sessions, New York City, by Justices Russell, Collins, and Moss, and fined \$500 on a charge of manipulating the poultry market by withdrawing from one cold storage warehouse a lot of frozen poultry that had been kept for a year, erasing the lot numbers and other marks of identity showing the original date of storage, and then returning the frozen poultry to another refrigerator, contrary to the laws of the State of New York.

March 2, 1915, Abraham Towbin was convicted before Justice Jeremiah Neterer in the United States District Court, New York City, on a charge of shipping into interstate commerce a lot of putrid sausages purchased by him from Swift & Co., New York City, and carted across the Christopher Street Ferry through interstate commerce into Jersey City. Swift & Co. had sold Towbin the sausages at 3 cents a pound.

Attorney I. Faber Goldenhorn, representing Abraham Towbin, said in court: "The defendant is entitled to all the mercy that this court can bestow. He was subpoenaed by the grand jury of New York County to testify against Swift & Co., who sold to him the rotten sausages that caused his arrest. He has been ready and willing to serve the authorities at all times, for he has been one of the many victims of the slippery, sneaky, and often convicted concern known as Swift & Co., which in this case has not been punished for selling him its foul, tainted meats. To show the malice of Swift & Co., I would call your honor's attention to the fact that that company actually sent its own representative into the grand jury room to threaten this helpless creature for squealing on them. There are two witnesses in this court room who heard the assistant United States attorney as he came out of the grand jury room declare: 'We will put the blocks to that \_\_\_\_\_ little son of a \_\_\_\_\_ for squealing on Swift & Co.' One of these witnesses, confronting the United States Attorney, the son of Abe Gruber, a prominent politician, asked what department of the United States Government he represented in conspiring to protect Swift & Co. I move this court that the defendant, in consideration of his readiness to serve the authorities, be dismissed with a reprimand."

Justice Neterer said: "It is to be regretted that the Government has no jurisdiction over Swift & Co. in this case. The fact that the defendant endeavored to assist the authorities is in his favor, but his crime was reprehensible and should be punished severely. The court, however, takes into consideration the service he may still render to justice and imposes a fine of \$100."

I was the witness who heard the United States Attorney make the statement against Towbin recorded above. The other witness was Sebastian Stock, an inspector of the United States Bureau of Animal Industry.

Towbin was held until I went to The New York Globe, which provided me with \$100 in cash with which to pay his fine. I paid the fine and Towbin was dismissed.

At the same time the supreme court of Wisconsin handed down a decision extending to the decision of the lower courts in the case of Haley by guardian versus Swift & Co. It has been proved that the Haley child had been poisoned by tainted sausage sold by Swift & Co. The courts awarded a verdict of \$5,000 damages.

October 6, 1913, in the court of special session, on Sulzberger & Sons Co. were found guilty by Justices Zeller, Fleming, and Salmon on three charges and fined \$1,500, \$500 on each. The offence consisted of trafficking in rotten lamb, rotten mutton, and decomposed cow kidneys in slimy condition with putrid odor.

In September and October, 1913, in an investigation conducted by Commissioner General Caminetti into the character of food furnished the immigrants on Ellis Island, evidence was adduced to show that the Atlantic Hotel & Supply Co., a subsidiary of Armour & Co., sold rotten lamb at 7½ cents a pound, and tainted beef at 11½ cents a pound. The wholesale price of sound lamb at the time was 14 cents a pound.

With Dr. Carl E. McComb and two other witnesses provided by the New York Bureau of Municipal Research, I located this rotten meat in the ice box at Ellis Island and traced it to its source. The meat was condemned and destroyed by the authorities. The testimony of the United States public health official located at that time at Ellis Island, will be found in the records of the Department of Immigration.

At the same investigation evidence was adduced to show that the Metropolitan Hotel & Supply Co., a subsidiary of Swift & Co., supplied Ellis Island with rotten corned beef. The evidence also disclosed the fact that Armour & Co. were packing canned roast beef for the immigrants under their "Very Best" brand, consisting of shreds of connected tissues, muscle sheath, and grease.

In connection with the Abraham Towbin case, papers were prepared against Swift & Co. by the Bureau of Animal Industry, based on the report of Federal Inspector Sebastian Stock. Swift's name was erased from this report by U. G. Hough, chief in charge of the Bureau of Animal Industry, New York City.

Notwithstanding the manipulation of the evidence against Swift & Co., I obtained through the assistance of Charles Whitman, then district attorney, now governor of New York State, a grand jury indictment against Swift & Co., under which indictment Swift & Co. was subsequently convicted.

The United States Department of Agriculture made a show of dealing with the situation by removing Dr. Hough from office for his collusion with Swift



& Co. This removal from office it was learned months later consisted merely of a transfer from the zone of excitement to a quieter post. Dr. Hough is now an assistant to the present chief of the Bureau of Animal Industry.

December 22, 1913, Hon. Frank Knowles, associate of the Royal Sanitary Institute, and meat expert to the British War Office and the Government of New South Wales, informed me at the Manhattan Hotel, New York, that in September, 1912, the steamship *Star of New Zealand* with a cargo of Argentine beef valued at \$300,000 was cut amidships by a freighter, and her captain, in order to save the vessel, beached her at Hollyhead. Swift & Co. owned the cargo of beef which had been insured by the corporation of Lloyds.

If the beef had been damaged to any considerable extent, making it necessary to sell it at a low figure, Lloyds would have had to pay Swift & Co. the difference between the insurance value of the beef and the figure at which the beef could be sold.

"It was my unhappy duty to be the awarder in the case. I found that the beef had not been damaged. Then Swift & Co. broached me and brought with them a representative of Libby & Co. They said to me: 'Now, Mr. Knowles, as one of the offshoots of Swift & Co., Libby & Co. is the same owner as Swift & Co. We want you to fix things so that Libby & Co. can buy up this thing cheap, and when you fix things our way we will fix it with you.'

"Swift & Co. wanted me to condemn their own cargo so that it could be bought by one of their own branches at a very cheap price, giving them full value for little money, and a big bonus from the insurance company besides.

"Morris & Co. contracted with the British War Office to supply beef for the army according to our specifications. Bulls and stags and cows with udders removed and inferior beef were excluded.

"Morris & Co. assumed that the officers at the war office would wink at these specifications and they attempted on a number of occasions to deliver beef unfit for food. They did not deliver American beef at all, but bought up the scum of our own British killed carcasses. We call them fallen animals in England, diseased animals.

"The deliveries were so bad that the British War Office was obliged to put Morris & Co. on the black list, for which reason it is now impossible for Morris & Co. to sell the British Government meats of any kind. The black list even excludes their canned meats.

"Armour & Co. tried hard to buy the Smithfield Argentine Works. Not being able to buy them, they tried to smash them. Up to date they have succeeded in doing neither, but they are doing the next best thing. They are acting as agents for the Smithfield Argentine Works."

I published this interview with Frank Knowles in the *Globe*, December 24, 1913, and mailed copy of the *Globe* immediately. He had sailed from New York for England December 24. January 15, 1914, he cabled me as follows:

"Br 188 Q London 23 Clt McCann, New York *Globe*, NYK 'family.'

"Your issue 24th causing consternation here.

"KNOWLES."

May 12, 1915, Armour & Co., was discovered in possession of 2,055 pounds of rotten eggs for use as human food at its branch, 325 Greenwich Street, New York City. The evidence was so complete that Armour & Co. pleaded guilty June 30, 1915. Judge John J. Freschi imposed fine of \$500, the maximum permitted under the statutes.

After this conviction Mayor Mitchel appointed Armour's attorney, Le Mar Hardy, corporation counsel. After Hardy's appointment as corporation counsel, through whose office all local cases against the packers are prosecuted, six cases against Armour & Co. developed. In all these cases Armour & Co. engaged Tony A. Hardy, brother of Le Mar Hardy, to defend them. New York was thus confronted by the spectacle of a Hardy prosecuting Armour & Co., and a Hardy, his brother, defending Armour & Co., a situation calculate to inspire great zeal—one way or another.

May 3, 1916, Armour & Co. was discovered in possession of a lot of rotten pigs' ears for use as human food at its branch 635-637 Brook Avenue, Bronx. The lot was so small as to be insignificant, but Armour & Co.'s branch-house methods made it necessary to sacrifice no salvageable product, however small in quantity.

Corporation Counsel Le Mar Hardy prosecuted July 11, 1916. The corporation counsel's brother, Tony A. Hardy, defended. A plea of guilty was entered, and Justice W. C. Cobb, Municipal Terms, Part 1, imposed a fine of \$25. The old \$500 fines had seemingly become unpopular.

June 5, 1916, Armour & Co. was discovered to be in possession of 103 pounds of rotten beef livers for use as human food in its branch at Jamaica, L. I. Corporation Counsel Le Mar Hardy prosecuted, and his brother, Tony A. Hardy, defended.

Armour & Co. again pleaded guilty in court of special sessions and was fined \$25 by Justices John J. Freschi, Henry W. Herbert, and Clarence Edwards.

June 30, 1916, Armour & Co., at its branch, 96 North Sixth Street, Brooklyn, was discovered with 75 pounds of rotten oxtails and 25 pounds of rotten beef livers for use as human food. Corporation Counsel Le Mar Hardy prosecuted, and his brother, Tony A. Hardy, defended. Justice Charles J. Dodd presided. Armour & Co. pleaded not guilty September 1, 1916, and asked for an adjournment to September 8. September 8 Armour & Co. asked for an adjournment to September 22. September 22 Armour & Co. asked for an adjournment to September 29. September 29 Armour & Co. changed the plea from not guilty to guilty, and Justice Charles J. Dodd imposed a fine of \$50. The habitual offender had at least succeeded in knocking one "0" off the fine.

May 21, 1917, Armour & Co. was detected at its branch, 635-637 Brook Avenue, Bronx, with 25 pounds of rotten pork kidneys for use as human food. Corporation Counsel Le Mar Hardy prosecuted, and his brother, Tony A. Hardy, defended.

June 26 Armour & Co. pleaded guilty. Justice Charles W. Appleton, municipal terms, part 1, suspended sentence. The \$500 fine had gradually shrunk to nothing.

It is noteworthy that Tony A. Hardy, defending Armour & Co. in the cases prosecuted by his brother, Corporation Counsel Le Mar Hardy, was attached to the Bureau of Municipal Research. He was one of the witnesses assigned to work with me in the cases growing out of the sale of rotten meat by Armour & Co. to the Ellis Island commissary contractors. He was an eye witness of Armour & Co.'s crime on Ellis Island.

September 19, 1917, I asked Tony A. Hardy about these cases. He said he had carefully inquired as to the propriety of defending Armour & Co. in cases prosecuted by his brother, and that he had been assured that there was no impropriety in the matter.

Swift & Co. paid at least \$500 to Harry J. Cole, deputy commissioner of agriculture, Albany, N. Y., at a time when there were three cases against Swift & Co. These cases had been prepared by the department of agriculture for prosecution through the attorney general's office. After the payment of money to the deputy commissioner of agriculture the cases were suppressed, and have never been tried.

I have in writing Cole's acknowledgment of the receipt of the Swift & Co. money, and Swift & Co.'s correspondence with Cole. The passing of the money is explained by Cole's preparation of the names of 50 000 farmers from the files of the New York State Department of Agriculture for use by Swift & Co. in advertising Swift & Co.'s fertilizer and feeding stuffs.

April 28, 1916, Swift & Co. was discovered, at its branch, Eleventh Avenue and Thirty-fifth Street, New York City, with 78 pounds of rotten pigs' heads for use as human food. Swift & Co. was prosecuted in Court of Special Sessions, Part 6, September 11, 1916, convicted and fined \$100 by Justices Edwin L. Garvin, Frederick Kernochan, and Cornelius Collins. Swift & Co. was defended by State Senator James J. Walker, chairman of the senate committee on agriculture.

August 2, 1916, Swift & Co. was caught, at 2294-2296 Twelfth Avenue, with 105 pounds "rots and spots," putrid eggs for use as human food. Swift & Co. was prosecuted September 19, pleaded not guilty, found guilty, and fined \$25 in municipal terms, part 1, by Justice Charles W. Appleton. Defended by State Senator James J. Walker.

July 28, 1916, Swift & Co. was caught, at 622 West Thirty-fifth Street, New York City, with 157 pounds of rotten spare ribs for use as human food. Prosecuted by Corporation Counsel Le Mar Hardy. September 26. Pleded not guilty. Convicted by Justice C. W. Appleton, municipal terms, part 1, sentence suspended. Defended by State Senator James J. Walker.

August 21, 1916, Swift & Co. was caught, at 32-34 Tenth Avenue, with 77 spot eggs for use as human food. Prosecuted by Corporation Counsel Le Mar Hardy, October 3, 1916. Pleded not guilty, convicted and fined \$25 by Justice C. W. Appleton in municipal terms, part 1. Defended by State Senator James J. Walker.

August 2, 1916, Swift & Co. was caught, at 129 Barclay Street, with 150 pounds rotten hog livers for use as human food. Prosecuted by Corporation Counsel Le Mar Hardy, November 28, 1916. Pleaded not guilty. Convicted and fined \$25 by Justice C. W. Appleton, municipal terms, part 1. Defended by State Senator James J. Walker.

August 24, 1916, Swift & Co. was caught, at 430-434 East Thirty-first Street, New York City, with 25 pounds rotten pigs' ears, 30 pounds rotten pigs' feet, 70 pounds rotten neck spare ribs for use as human food. Prosecuted by Corporation Counsel Le Mar Hardy, November 14, 1916. Pleaded guilty. Fined \$25 by Justice Charles W. Appleton, municipal terms, part 1.

December 21, 1916, Swift & Co., Eleventh Avenue and Thirty-fifth Street, New York City, was caught with 20 pounds rotten sheep brains for use as human food. Prosecuted, May 20, 1917, by Corporation Counsel Le Mar Hardy. Pleaded not guilty. Convicted and sentence suspended by Justice W. B. Cobb, municipal term, part 1.

August 1, 1916, Wilson & Co. was caught at 125 Barclay Street, New York City, with 20 pounds rotten oxtails and 3 cans rotten beef brains for use as human food. Prosecuted November 28, 1916, by Corporation Counsel Le Mar Hardy. Convicted and fined \$25 by Justice Charles W. Appleton.

August 27, 1916, Wilson & Co. was caught at 2310 Twelfth Avenue, New York City, with 30 pounds rotten beef brains for use as human food. Prosecuted by Corporation Counsel Le Mar Hardy November 28, 1916. Pleaded guilty. Sentence suspended by Judge Charles W. Appleton.

November 29, 1916, Wilson & Co. caught at 212-214 Market Avenue, Brooklyn, with 50 pounds rotten turkey for use as human food. Prosecuted by Corporation Counsel Le Mar Hardy January 19, 1917. Pleaded not guilty. Convicted. Fined \$25 by Justice John J. Walsh, municipal terms, Brooklyn.

December 21, 1916, Wilson & Co. was caught with 520 pounds rotten beef livers, 50 pounds rotten beef brains for use as human food. Prosecuted by Corporation Counsel Le Mar Hardy March 20, 1917. Pleaded not guilty. Found guilty. Fined \$100 by Justice W. B. Cobb.

April 3, 1917, Wilson & Co. was caught at 400-416 East Forty-sixth Street, New York City, with 200 pounds rotten chicken for use as human food. Prosecuted by Corporation Counsel Le Mar Hardy. Pleaded not guilty. Found not guilty by Justice Charles W. Appleton, municipal terms, part 1, May 15, 1917.

During the last four and a half years in New York City Swift & Co. have been convicted on 21 occasions. Prior to my work against them they had never been caught, arraigned, or tried by any official of the State of New York.

In these 21 cases Swift & Co. have been fined \$4,650. In the case in which I was actively engaged against them they were fined on six occasions \$500 each, on three occasions \$300 each, on one occasion \$250. Then came a period of relaxation. On four occasions they were fined \$100, and of the last seven cases against them they were fined but \$25 each in four cases, and in three cases, although convicted, sentence has been suspended. This record shows the results of the soft-pedal policy.

In the case of Armour & Co., tried during the same period, on 18 cases the fines have totaled \$2,230. The cases in which I appeared actively against Armour & Co. resulted in two fines of \$500, two fines of \$300, one fine of \$250, one fine of \$200. Of the other cases two ended in fines of \$50, three of \$25 each, and of the balance the cases were either dismissed or sentence suspended, another instance of the results of soft-pedaling.

Of the 11 cases against Sulzberger & Sons Co. 3 of these in which I was actively engaged resulted in fines of \$500 each. The fine in the fourth case was \$250. Of the remaining cases two resulted in fines of \$50 each, one of \$25, and in the balance sentence was suspended.

I have never appeared against Wilson & Co., who in 5 cases against them, dating from August, 1916, to April, 1917, have been convicted four times and acquitted once, the fines being \$100 in 1 case, \$25 in 2 cases, sentence suspended in 1 case, and acquittal in 1 case.

ALFRED W. MCCANN.

Sworn to before me this 20th day of September, 1918.

[SEAL]

FREDERICK C. HOLLOWAY,

Notary Public, City and County of New York.

(Additional sworn affidavits as to convictions and penalties imposed will be found at the close of this hearing.)

Mr. LASATER. Now, I am a producer of cattle. Mr. Butler questioned the statements made by the Federal Trade Commission as to the per cent of cattle bought by the five large packers in the stockyards.

Speaking from memory, I think they make it 82 per cent; I am not positive of that, but the report will show.

I make the statement that in the last five years, in my experience as an individual cattle raiser, I market for slaughter from 3,000 to 5,000 per year. They have bought more than 90 per cent of my cattle sold in the markets of the country for slaughter.

Will you permit me to examine this report of the Federal Trade Commissioners? [Examining report.] One of the charges made by the Federal Trade Commission that the gentleman who preceded me has questioned is this: The use of joint funds; the Federal Trade Commission charges that the packers used these joint funds:

To employ lobbyists and pay their unaudited expenses;

To influence legislative bodies;

To elect candidates who would wink at violations of law, and defeat those pledged to fair enforcement;

To control tax officials and thereby evade just taxation;

To secure modifications of governmental rules and regulations by devious and improper methods; and

To bias public opinion by the control of editorial policy through advertising, loans, and subsidies, and by the publication and distribution at large expense of false and misleading statements.

I want to say that I know of my own personal knowledge that they will be able to substantiate that with proof.

I thank you.

Senator NORRIS. Mr. Hampton, we are now ready to hear you. Will you state your full name, and your business connection?

**STATEMENT OF MR. GEORGE P. HAMPTON, MANAGING DIRECTOR  
OF THE FARMERS' NATIONAL HEADQUARTERS AND LEGISLATIVE  
AGENT OF FARM ORGANIZATIONS.**

Mr. HAMPTON. My name is George P. Hampton, and I am managing director of the Farmers' National Headquarters, and legislative representative in Washington of several farm organizations.

Senator NORRIS. How long have you been such legislative agent and manager?

Mr. HAMPTON. Of the Farmers' National Headquarters since 1910.

Prior to that, commencing in 1906, I was a member of the legislative committee of the National Grange, the largest of the farmers' organizations in the United States.

About 1907, a group of the representatives of various farm organizations throughout the United States felt that more aggressive action was needed in looking after the farmers' interests here before Congress, and we met in Atlantic City in 1910 and formed an association which would be open to representatives of all farm organizations. That was a loose organization and determinedly so, in order that the independence and freedom of action of any one of the affiliating organizations should be in no wise interfered with, except in so far as they gave their consent to united action for specific purposes.

Senator NORRIS. And it is that organization that you represent?

Mr. HAMPTON. And that is the organization, or the group of organizations, that are affiliated in the Farmers' National Headquarters.

Senator NORRIS. That is maintained here in Washington?

Mr. HAMPTON. We maintain offices here in the Bliss Building.

Senator NORRIS. Mr. Hampton, are you acquainted with an organization known as the National Agricultural Society?

Mr. HAMPTON. I have heard of such an organization.

Senator NORRIS. Are you acquainted with G. Howard Davison, who is reported to be chairman of the executive committee of that organization?

Mr. HAMPTON. I only know of him in that connection.

Senator NORRIS. Is that organization one of the organizations that you represent here?

Mr. HAMPTON. No, sir.

Senator NORRIS. I want to read you a portion of a news item that appeared in the Washington Star, I think, on August 26, 1918, as follows:

The farmers of the country are disturbed by the Federal Trade Commission's proposal that the Government take over the packing industry.

In explaining how the farmers are affected, G. Howard Davison, chairman of the executive committee of the National Agricultural Society, says:

"The farmers realize that the only way a Federal administrator could materially cheapen the prices of meat products would be to fix arbitrarily a lower price for live stock."

And then he goes on, at some length, throwing several bouquets at the packers. Have you ever heard of that organization?

Mr. HAMPTON. Yes.

Senator NORRIS. Have they headquarters anywhere?

Mr. HAMPTON. Well, I presume they have headquarters in New York City, so far as I know. I am speaking only from hearsay and from information that I got from the press; that is the only way in which I am acquainted with that organization.

I think I have a statement here indicating that the National Agricultural Society was organized by a few wealthy gentlemen in New York City, and so far as I know there is no farmer organization of any strength or standing that is connected with this organization.

Senator NORRIS. Has it any standing itself as a farmers' organization?

Mr. HAMPTON. Not, I think, with what we call the organized farmers; they do not recognize that it represents them in any form. Of course, the difficulty in the farmers' organization is that it is not as well organized as it ought to be.

Senator NORRIS. This article, after finishing the quotation from Mr. Davison, says:

James Wilson, former Secretary of Agriculture, is president of the National Agricultural Society—

Do you know whether that is true or not?

Mr. HAMPTON. Well, I believe that when it was organized Mr. Wilson was made president of the organization, but I think since then they have had a meeting and elected a new president.

Senator NORRIS. Did Mr. Wilson ever do anything with regard to any of the activities of this organization?

Mr. HAMPTON. That I do not know.

Senator NORRIS. Did you ever hear of his ever doing anything?

Mr. HAMPTON. I do not know much about the activities of the organization at all. It is not in any way—

Senator NORRIS (interposing). Well, I am asking you if it was a farmer organization, in your capacity here as a legislative agent, for all these various farmers' organizations, you would be apt to know something about their activities, would you not?

Mr. HAMPTON. I think I would.

Senator NORRIS. This news article further says that Theodore N. Vail is vice president of the organization. Who is Theodore N. Vail?

Mr. HAMPTON. Theodore N. Vail was the president of the American Telephone & Telegraph Co.

Senator NORRIS. Has he anything to do with any kind of farm organizations that you know about, or have ever heard about?

Mr. HAMPTON. Not with any farm organization, outside of this one. I believe he has a very fine farm up in Vermont and I think he takes a gentleman's interest in agriculture as a great many rich men do.

But I have looked upon this National Agricultural Society as a getting together of men of large wealth. I might say, in regard to this National Agricultural Society, that there is a member of this committee who is rated as a member of that organization, who probably could give you more information in regard to the exact character of the organization than I can.

Senator NORRIS. Who is that?

Mr. HAMPTON. That is Senator Wadsworth.

Senator NORRIS. Well, he is not here now.

Mr. HAMPTON. Senator Wadsworth, by the way, is also a member of the Grange in New York State. I am a member of the Grange in New York State.

And the point that I would like to emphasize here is that the statement that you read from Mr. Davison, Senator Norris, in regard to the farmers being disturbed, and opposed to the recommendations of the Federal Trade Commission, is not in accordance with the facts, as I understand them.

Senator NORRIS. Well, what are the facts?

Mr. HAMPTON. I believe you will find out—and I do not ask anybody to take my word for it, but to investigate down through the various farmers' organizations themselves—that the organized farmers of the United States are, practically to a man, in favor of the recommendations of the Federal Trade Commission.

Now, I would like to say something in that connection; I do not want to leave any misapprehension in the mind of the committee as to whom I represent.

I am the managing director of the Farmers' National Headquarters, to which any farm organization, so far as that is concerned, if they desire to affiliate—this national agricultural society could make application and could come in there without losing its independence, or, for that matter, take a positively antagonistic view on these public questions, as regards the other affiliated organizations. And we call upon every organization to speak for itself. If they want to speak collectively, our plan is to get them together in an organized committee for that specific purpose.

And I want to call your attention a little later to the fact that the representatives of the leading farm organizations of the United States have come together to organize a special committee to support the Federal Trade Commission in its recommendations.

Now, I would like to speak about the farm organizations and their membership, briefly.

Senator NORRIS. All right, you may proceed.

Mr. HAMPTON. I have a statement here which I prepared with a good deal of care a short time ago.

The Grange is the biggest of the farm organizations. It has 33 State organizations, with a total membership of a million. Of that million, 400,000 are actual farmers, on the most conservative count. The reason I say that is because the Grange is open to the farmer's sons, wife, and daughters, as well as to the farmer himself. And, therefore, we discount that to show just the number of actual farmers.

The Farmers' Union has 22 State organizations, which have a total membership somewhere around 300,000.

Senator NORRIS. Does that include women, too?

Mr. HAMPTON. No; that only has men in its membership; they have only a few women in the organization.

Senator NORRIS. Are they all actual farmers?

Mr. HAMPTON. The proportion would run a good deal as it does in the Grange: People who are interested in agriculture, the editors of farm papers, etc.—anybody who is actually engaged in the interests of agriculture would be eligible to membership.

Then there is the American Society of Equity, with a total membership of 150,000.

The Gleaners have 140,000 members.

And, outside of those, we have the National Nonpartisan League; a good many of its members are also members of the organizations I have told you of; and that would probably have an aggregate membership to-day—it is changing so rapidly that what I would state to-day would not be true to-morrow—of probably 250,000.

Now, outside of these general farm organizations, there are certain important special organizations—

Senator NORRIS. Before you take up that subject, let me ask this: Do you represent all of those organizations that you have mentioned?

Mr. HAMPTON. I will explain in what way. I represent them only when they are organized in special committees. I do represent the principal ones of these organizations, very largely, as the secretary of the farmers' national committee on packing plants and allied industries.

As I explained earlier, our plan of organization is loose. It requires that, that when they have got some specific legislation, that the different farm organizations are supporting, they shall come together in a special committee. The reason for organizing those special committees is this: There is necessarily more or less jealousy between the different organizations. No one wants to surrender its leadership to the others. This special committee is organized for functioning with the full power of the united organizations for some special purpose. When that special purpose is accomplished, that special committee goes out of existence; and thus it advances the in-

terests of all the affiliated organizations without bringing in any points on which they might disagree.

Now, the biggest of the organizations, the Grange, has its own legislative committee; and the master of the National Grange, Mr. Oliver Wilson, of Peoria, Ill., and the chairman of the executive committee, the master of the West Virginia State Grange, Dr. T. C. Atkinson, are the spokesmen, in a legislative sense, along with Mr. Taber, the master of the Ohio State Grange, for this organization of farmers, the National Grange.

I only recently had a long discussion over these questions with Mr. Atkinson, and I know, not only as a member of the Grange, but by direct consideration of the matter with the chairman of the legislative committee, that the Grange, through its official spokesmen, supports the recommendations of the Federal Trade Commission. Either Mr. Wilson or Dr. Atkinson can be called before this committee at any time; and I know positively that they will testify to that fact.

As to the Farmers' Union, the leading State organization of the 22 State organizations of the Farmers' Union is the organization of your own State, Senator Norris, of which Mr. C. H. Gustafson is the president. Mr. Gustafson is chairman of the special national committee that has been organized to support the recommendations of the Federal Trade Commission under discussion.

The Gleaners; Mr. Grant Slocum and Mr. Livingston, with headquarters at the Gleaners' Temple in Detroit, are the proper people to speak for the Gleaners, while I am their legislative agent here at Washington. The Gleaners absolutely and unequivocally indorse the recommendations of the Federal Trade Commission.

That is true also of the American Society of Equity. The proper people to speak for the American Society of Equity are the president, Mr. Mahoney, and Mr. J. Weller Long, the secretary-treasurer, whose address and headquarters are Madison, Wis.

Both of these organizations are represented in the farmers' national committee on packing plants and allied industries. And that, I think, will be acceptable to any gentleman. I should say also that the American Society of Equity and the Gleaners are behind the Federal Trade Commission in its recommendations.

The two largest of the special farmers' organizations who would have anything to say directly in regard to the packers, I should say, would be the National Dairy Union, which has a committee to attend to legislative matters here in Washington for all the various dairy organizations. Mr. Wm. T. Creasy, the secretary and legislative agent of these associations, is in the city at the present time; he has his office at our headquarters.

And I have talked the matter over with Mr. Creasy a sufficient number of times—I have had the honor to be made a member of the special emergency committee, along with Mr. Creasy, to protect the dairy interests—and I know that you can call the officers of the various dairy associations here, and they will testify, to a man, that they are behind the Federal Trade Commission in its recommendations.

The other organization, I think Mr. Lasater, who is present, can speak for more properly than I can.

MR. LASATER. It is the American National Live Stock Association.



Mr. HAMPTON. The American National Live Stock Association. And representative men like Mr. Burke, Mr. Lasater, and Hon. William Kent, leading men in the American Live Stock Association, are on this farmers' national committee on packing plants and allied industries, and are actively cooperating with that centralized committee to see that the recommendations of the Federal Trade Commission are carried into effect.

I do not know on what grounds Mr. Davison is justified in making the statement that he did in the newspaper to which you have called my attention, Senator Norris. There is no justification for it at all, so far as I have been able to investigate the matter.

I believe that not only the organized farmers, so far as I have been able to reach them, but the unorganized farmers believe that relief to them will come through the carrying into effect of the recommendations of the Federal Trade Commission.

And when you stop to consider what those recommendations are, you will see that they touch only the monopolistic features of what the farmers have come to call the Beef Trust, and look upon as one of their most dangerous enemies; it does not interfere with their handling of the packing plants. If they have skill and ability—and nobody disputes it—they can serve their country under those circumstances just as efficiently as they did before.

But it puts everyone who wants to engage in the packing business on an even keel; gives every farmer who has stock to sell the power and ability to sell that stock in a free, unmonopolized market; it gives them the power to ship their stock in unmonopolized cars; and it gives the people who kill the stock and convert it into meat the opportunity to distribute it in unmonopolized refrigerator cars; and it also gives them free marketing places in the various distributing centers throughout the United States.

To my notion, the recommendations of the Federal Trade Commission are of tremendous importance to the producer on the one hand, and the consumer on the other; and overshadowing that in importance is the importance it has to this great Nation in this great war of being able to furnish food at the lowest possible cost, that we may win this war.

And it is on these grounds that I know that the united farmers of this Nation are behind the Federal Trade Commission in its recommendations.

Senator NORRIS. Mr. Hampton, do you know, from your association with these various farmers' organizations, whether they are likely to give as much consideration to the method of the investigation by the Federal Trade Commission as to the results of the investigation and findings? Are you as much interested in the method as you are in the substance?

Mr. HAMPTON. It is the substance; it is the conclusion. We have seen nothing, however, I want to say that, so far as we have been able to investigate, which justifies the criticisms of the Federal Trade Commission.

Senator NORRIS. By the chamber of commerce?

Mr. HAMPTON. By either the chamber or any other body that we have seen criticizing it.

Senator NORRIS. Well, I do not want to be understood myself as criticizing it, but for the purposes of my question I am assuming the

criticism to be true. I am not saying that the Federal Trade Commission has done anything that was wrong, or that it was not justified in doing what it did.

But assuming that the criticism made here before this committee by the chamber of commerce and in the report of its committee of which Mr. Butler is chairman; assuming that those things are true; and assuming, if you assume that to be true—assuming also that the findings are true, would you consider that any justification for the abolishment of the commission?

MR. HAMPTON. I would not. It is a difficult thing, however, to assume that they are true, because my own opinion—an opinion, I believe, shared by the great majority of the farm organizations—is that one of the most public-spirited, most statesmanlike group of men that we have in any of the commissions that have been appointed is found in the Federal Trade Commission. I have myself a profound respect for Mr. Colver and Mr. Murdock, and also for Mr. Fort, whom I do not know so well.

Senator NORRIS. Well, do not assume from my question that I do not have respect for them.

MR. HAMPTON. No. I only want to make that statement to offset the strictures that have been placed upon them by the gentleman who preceded me here in testifying.

Senator NORRIS. As to the people whom you represent, these various farmers' organizations, do you believe that criticism of the form, without any denial even of the fact, will have a tendency to create a sentiment among those people unfavorable to the commission?

MR. HAMPTON. I do not. I think you will find, Senator Norris, that the farmers—and I have had occasion, on demand, to distribute to the representatives of the farmers' organizations throughout the United States over 5,000 copies of that report of the Federal Trade Commission—in fact, I know, will take their stand solidly on the question of the public welfare importance or unimportance of the specific recommendations of the commission. They are forcible; they are brief; they are concisely stated; and there is not a farmer in the United States that can not understand exactly what they mean.

And I believe you will find that the great majority of farmers—certainly, the leaders among the farm organizations—have a pretty keen understanding that if those specific recommendations are incorporated into law, the farmer will get the relief from the monopoly they have suffered under from the packers; and I do not believe it is possible to put up any argument against the commission's recommendations, but that literally thousands of farmers throughout the United States will be able to refute it, and successfully refute it.

They believe that the recommendations of the Federal Trade Commission will end the monopoly of what we know as the Beef Trust. And we expect and look to having legislation enacted by this Congress that will carry out the recommendations of the commission, if the President has not the power to order them to be carried into effect without further legislation.

Senator NORRIS. I believe that is all, Mr. Hampton, unless you have something else to present.

I understand that Mr. Lasater wishes to add something to his statement.

Mr. LASATER. Yes; it is very brief. I would like to say that the American National Live Stock Association is the organization that started—shall we call it the agitation that brought about the investigation of the packers by the Federal Trade Commission? That was something over two years ago. They created what they designated as the "market committee" for that purpose. This market committee, composed of seven members, is in favor of putting into effect the full recommendations made by the Federal Trade Commission.

The American National Live Stock Association speaks for the various State organizations, from Texas northwest to the Pacific coast.

Resolution passed by Market Committee of the American National Live Stock Association, is as follows:

A MEMORIAL REGARDING THE REPORT OF FEDERAL TRADE COMMISSION ON MEAT-PACKING INDUSTRY.

*To the President of the United States, to Congress, and to the Federal Trade Commission:*

The live-stock producers of this Nation in a spirit of loyal service wish to give their utmost efforts to assist our Government in winning this war. The most practical service which we believe they can render is to produce an adequate supply of meat animals for the military and civilian needs of ourselves and allies, and to aid in opening the channels of distribution so as to free the industry completely from practices which have encouraged the growth of monopoly and special privilege.

The market committee of the American National Live Stock Association were fully conversant with the critical meat situation at home and abroad, and the menace to the food supply of the Nation which existed when the President on February 7, 1916, directed the Federal Trade Commission to make its investigation; and later, on March 18, 1918, when, at the earnest solicitation of Mr. Hoover, he appointed a committee of five capable members of his own official family to determine a "positive national live-stock policy." The extremely unsatisfactory conditions prevailing in the live-stock business fully justified the action of the President in both instances, as well as the action of Congress in appropriating the necessary funds.

After carefully considering the report of the Federal Trade Commission, the American National Live Stock Association, through its market committee, and on behalf of the live-stock producers of the country, desires to express to the President, to Congress, and to the commission its deep appreciation of the fearless, convincing, and constructive summary of the report of the commission on the meat-packing industry and to express its belief that both producers and consumers should unite in vigorous support of the prompt enactment of appropriate legislation to carry into effect constructive policies and remedies of the character recommended by the commission.

The misrepresentation of the recommendations, which has been given widespread publicity, must not be permitted to mislead either Congress or the people. The commission did not recommend that the packing plants of the five large packers should be taken over by the Government. It did recommend that these packers should be deprived of the means by which they have acquired and maintained their monopolistic control of the live-stock markets and of meats and a constantly increasing list of other food products. It did recommend that the transportation, terminal, and distribution facilities of the country should be taken out of the hands of the monopolists and be made available on equal terms to open competition.

We have also carefully considered the report of the committee of five, and thoroughly indorse the idea of a positive national live-stock policy. It must be borne in mind, however, that the report of the committee of five is essentially a war measure, while the report of the Federal Trade Commission relates more especially to the permanent conditions that should prevail after the close of hostilities. While we deeply regret that the report of the committee of five did not touch on the great question of production, we especially commend that

portion of it which dealt with the necessity for a uniform system of accounting in the packers' industry, the regulation of stockyards and commission men by the Department of Agriculture, the advisability of greater publicity regarding wholesale prices of meats, and the need of an investigation into the conditions of the retail trade; and we strongly urge the early appointment of a commission clothed with ample power to investigate thoroughly this situation and present a definite plan for a simplification of retail distribution which will assure the consumer a wholesome meat supply under a system free from waste and needless expense; and, most important of all, we indorse the need of a revision of the packers' license, being thoroughly convinced that the welfare of the live-stock industry and the consuming public demands effective regulation of the packers' entire business instead of only a portion.

We therefore respectfully, but earnestly, urge the prompt and favorable consideration by Congress of the remedies recommended by the Federal Trade Commission.

H. A. JASTRO, *Chairman*,  
EDWARD L. BURKE,  
DWIGHT B. HEARD,  
JOSEPH M. CAREY,  
HENRY C. WALLACE,  
E. C. LASATER,  
W. R. STUBBS,

*Members of Market Committee of American  
National Live Stock Association.*

IKE T. PEYOR, *President*.  
T. W. TOMLINSON, *Secretary*.  
WALTER L. FISHER, *Counsel*.

Adopted September 17, 1918.

I thank you.

Senator NORRIS. That is all, I believe.

(Thereupon, at 1.20 p. m., the committee adjourned, subject to the call of the chairman.)



## GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

MONDAY, SEPTEMBER 23, 1918.

UNITED STATES SENATE,  
SUBCOMMITTEE ON AGRICULTURE AND FORESTRY,  
*Washington, D. C.*

The subcommittee met at 11 o'clock a. m.

Present: Senators Ransdell (presiding), Norris, and Kendrick.

Senator RANDELL. The committee this morning will hear the secretary of the chamber of commerce, Mr. Goodwin.

### STATEMENT OF MR. ELLIOT H. GOODWIN, GENERAL SECRETARY CHAMBER OF COMMERCE OF THE UNITED STATES.

Senator RANDELL. Mr. Goodwin, will you please state your full name?

Mr. GOODWIN. Elliot H. Goodwin.

Senator RANDELL. What is your occupation?

Mr. GOODWIN. General secretary, Chamber of Commerce of the United States, with offices in the Riggs Building.

Senator RANDELL. Mr. Goodwin, I believe you desire to make a statement before the committee this morning.

Mr. GOODWIN. Senator, I did not make that request, and I do not make it now. In connection with the subject which you have been investigating through two or three hearings, matters of great importance to the integrity and influence of the Chamber of Commerce of the United States have been touched on, and I asked of Senator Norris if I was to be called. He said that was a matter for the chairman to determine. He asked me if I wished to make a statement. I said not at that time, but that I would like to reserve the privilege until after the testimony had been written up and the higher officials had had a chance to consider it. That is precisely my situation this morning. I am perfectly ready to answer any questions. The president of the chamber arrives in Washington this afternoon at 5. A statement covering the matters which you have touched on should be an extensive and comprehensive statement, made after consideration of all the factors. I therefore offer myself as a witness, but would prefer, if it is a statement on behalf of the chamber, that it should be postponed, and that Mr. Wheeler, the president of the chamber, should be permitted to make it.

Senator RANDELL. What do you think about this, Senator Norris?

Senator NORRIS. It is perfectly immaterial to me. We may want to call Mr. Goodwin, even after Mr. Wheeler testifies. It is perfectly agreeable to me, if Mr. Goodwin would rather, just to excuse

him now, with the understanding that the chamber can put Mr. Wheeler on the stand, and after Mr. Wheeler has testified we will call Mr. Goodwin, if we want him or he can come up if he feels that some statement ought to be made, and make his statement.

As I understand you, Mr. Goodwin, you think Mr. Wheeler could perhaps make a better statement in regard to the chamber of commerce and its activities, etc., than you could.

Mr. GOODWIN. I think, Senator, he is the proper spokesman for the chamber.

Senator NORRIS. That may be.

Mr. GOODWIN. He will be here to-night; and, as I have stated, in meeting various points in regard to the chamber, touching matters of vital interest to it, there should be prepared material to accompany a statement by any one, requiring some time and care, I think.

Senator NORRIS. Do you suppose he could make that statement to-morrow?

Mr. GOODWIN. I think so; yes.

Senator RANDELL. Very well; the subcommittee will now stand adjourned until 10.30 o'clock tomorrow; and you, Mr. Goodwin, had better come with Mr. Wheeler then.

Mr. GOODWIN. Yes, I will. I want it understood that I am more than willing to answer any questions, but I think the committee, in view of what has taken place, should have a very full statement of the whole matter. There has been publicity on it which has been very unfortunate.

(Thereupon, at 11.30 o'clock a. m., the subcommittee adjourned to meet to-morrow, September 24, 1918, at 10.30 o'clock a. m.)

## GOVERNMENT CONTROL OF MEAT PACKING INDUSTRY.

TUESDAY, SEPTEMBER 24, 1918.

UNITED STATES SENATE,  
SUBCOMMITTEE ON AGRICULTURE AND FORESTRY,  
*Washington, D. C.*

The subcommittee met, pursuant to adjournment, at 10.30 o'clock a. m., Senator Joseph E. Ransdell presiding.

Present: Senators Ransdell (acting chairman), Kendrick, and Norris.

**STATEMENT OF MR. HARRY A. WHEELER, CHICAGO, ILL., VICE PRESIDENT OF THE UNION TRUST CO. OF CHICAGO AND PRESIDENT OF THE CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA.**

Senator RANSDALL. Mr. Wheeler, I believe you are president of the Chamber of Commerce of the United States?

Mr. WHEELER. Yes, sir.

Senator RANSDALL. Mr. Wheeler, will you please state, in your own way, anything you desire to say in this hearing, without any specific questions, except as we wish to put them from time to time?

Mr. WHEELER. Mr. Chairman, I have no statement to make, other than answers to such questions as the members of the committee may desire to put to me.

Senator RANSDALL. Mr. Goodwin seemed to think that it would be wise to have a comprehensive statement on behalf of the chamber of commerce made by you, as its president, showing why the publication was issued which we are investigating, and I presumed you would like to make the general statement referred to by Mr. Goodwin. We had expected to hear it from him, and he thought perhaps it would come better from you as the head of the organization. If you desire to make it we shall be very glad to hear it; we are not urging it.

Mr. WHEELER. I have read the record of the meetings of Tuesday and Wednesday of last week, and the statement that was made by Mr. Butler, the chairman of the Federal trade committee of the chamber. He has covered the ground as thoroughly as I think it can be covered in connection with the particular report in question.

Senator RANSDALL. Is there any other phase of the subject connected with the Federal Trade Commission and the connection of your association with them and their work that you would like to discuss?

Mr. WHEELER. The only thing that I care to discuss—and that is not a discussion; it would be simply a statement—is the inference,



drawn from the membership of packing firms in the chamber of commerce of the United States, that the report was issued and its text prepared as a defense of an interest which held membership in the chamber. I have asked Mr. Goodwin to prepare for the use of the committee a complete transcript of all of the funds contributed for the organization of the chamber from the date of the original conference in 1912 through the entire period until the chamber became self-supporting by virtue of its memberships.

That record will be available upon your call, together with such classification as I will have him make, indicating the total contributions made by these interests that have been brought forward here as one of the prime interests, and by the others as well. You may have it then in the chronological order of the contributions and the amounts. Perhaps we can even get it for you in the main divisions of industry, indicating exactly what the relation of these contributions would be to the different principal industries of the country. Those figures, of course, are not available at this moment, but if you choose to call the general secretary of the chamber within 48 hours he can supply you with all of those data; and I think it would be desirable, Mr. Chairman, if it became a part of the record, since that question has been raised.

Senator RANSDELL. We shall be very glad to have it go in. Senator Norris, would you like to ask any questions?

Senator NORRIS. Mr. Wheeler, this investigation took a rather partial consideration of the criticism, if you might call it criticism, in this report made by your committee of which Mr. Butler is chairman on the report of the Federal Trade Commission. Did you have anything to do with the preparation of that report?

Mr. WHEELER. I did not have anything to do with it, but I read the report before it was printed.

Senator NORRIS. As I understand it, the chamber is of the opinion that the Federal Trade Commission in its report regarding the packers was not unbiased and fair?

Mr. WHEELER. I do not recall that that particular criticism was made in the report.

Senator NORRIS. Mr. Wheeler, on page 7 of that report, at the top of the page, there is a paragraph that has been construed to mean that the chamber assumed that the Federal Trade Commission in its report recommended that the Government take over the packing plants. That has been further construed by a great many people to mean, and a good many editorials by newspapers have been written on the assumption, that the Federal Trade Commission did make that recommendation in its report. Is that your idea?

Mr. WHEELER. Would you point out the particular paragraph that you have reference to?

Senator NORRIS (indicating). I suppose that they got it from that paragraph; that is the paragraph right at the top of the page there. I will read it. It reads as follows:

Although the question of Government operation of the meat-packing industry was in April committed to a special commission, on which the Federal Trade Commission had representation, and in May the special commission decided against Government operation unless it was subsequently found impossible to enforce the regulations of the Food Administration, the Federal Trade Commission on June 28 informed the Senate and the press that the meat packers are soon to come under further governmental regulations approved by Executive order.

Mr. WHEELER. Is that a statement of facts, or is it not supported by the facts?

Senator NORRIS. That is what I am asking you. My understanding is that the Federal Trade Commission never recommended that the Government take over the packing plants. In their report I do not find anything that indicates that kind of recommendation. For instance, I have here an editorial from the Washington Times, a long editorial in defense of the packing industry of the country, and it starts out with this assertion:

A Federal commission recommends that the Government take over the packing business of the United States, which is the business of supplying the people of the country, the people of other countries, and the Armies of the United States with meat.

And it bases its argument almost entirely on the assumption that the Federal Trade Commission has made that kind of recommendation. I have been wondering if this article and similar articles were not based upon the report of your chamber rather than upon the Federal Trade Commission's report itself. Was it your idea, or the idea of the chamber, that the Federal Trade Commission in its report had recommended that the Government take over the packing plants?

Mr. WHEELER. This report is quoting in those last three lines. Presumably whoever drew this report up has taken that quotation from some source; whether it be a report of the Federal Trade Commission or a newspaper report I am not aware.

Senator NORRIS. What I am trying to get at is the attitude, or belief rather, of the chamber of commerce of which you are president, and for that reason I wanted to get your idea of it. Is it your belief that the Federal Trade Commission ever recommended that the packing plants be taken over by the Government?

Mr. WHEELER. I have no knowledge of a recommendation, in the words that you are using, by the Federal Trade Commission. If those words or anything that might be so construed were contained in the preliminary report made to the president the report will stand for itself. In so far as this quotation is concerned, the committee that drew this report can answer where they secured the quotation.

Senator NORRIS. Still I do not think that is an answer to the question. I am trying to find out whether the chamber of commerce wanted to convey either in that quotation I have read, or any other, that the Federal Trade Commission had made a recommendation that the packing plants be taken over by the Government.

Mr. WHEELER. I think, Senator, you will have to ask Mr. Butler, the chairman of the committee, what his intention was in that report.

Senator NORRIS. What would be your construction as to that paragraph? It was submitted to you, as I understand it, as president of the chamber before it was printed?

Mr. WHEELER. My construction is that the writer of this report is quoting from some source a statement relative to the Executive order about Government regulation of the meat-packing industry.

Senator NORRIS. Yes; but still that does not answer my question. Mr. Wheeler. I wanted to know whether you would gather from that, or whether anyone reading it, like newspaper editorial writers, etc., would gather from it that the Federal Trade Commission had made that kind of a recommendation?

Mr. WHEELER. Oh, I am not competent to answer that, so far as the newspapers are concerned.

Senator NORRIS. But what is the object of putting that in if it is not to convey that kind of impression?

Mr. WHEELER. This general report, Senator Norris, has been made as a protest against certain procedure, and the report must necessarily stand as a whole. You might pick out any sentence and draw different inferences from it.

Senator NORRIS. But you are aware, are you not, that a great many people—probably the man who wrote the editorial from which I have quoted—have gathered that the Federal Trade Commission has made that kind of recommendation? I am trying to find out whether they would be justified in getting that from your report.

Mr. WHEELER. Well, I can not tell you.

Senator NORRIS. You do not know whether they would be justified or not?

Mr. WHEELER. Certainly not. There are men of different minds on all these questions and they have different motives for writing editorials.

Senator NORRIS. In the quotation I have read from this report, do you not believe, assuming it is all true, that a man would be justified in drawing that kind of conclusion from it?

Mr. WHEELER. The report is quoting what is said to have been taken from the information of the Federal Trade Commission to the Senate and the press.

Senator NORRIS. Yes, I understand that; but still you have not answered my question, Mr. Wheeler.

Mr. WHEELER. Well, I am not intending to answer any question of motive of an editorial writer—

Senator NORRIS. No; I have not asked you that.

Mr. WHEELER (continuing). Nor am I intending to convey a motive of our committee.

Senator NORRIS. Well, I think you ought to tell us what the motive of your committee was; that we have a right to ask. As to any editorial man having a different motive, I am not asking about that. I am trying to find out whether in your judgment a man would not be justified in drawing that kind of conclusion from your report.

Mr. WHEELER. You will have to ask the committee, Senator, that question.

Senator NORRIS. Would you mind telling the committee, Mr. Wheeler, what conclusion you would reach now from reading that part of your report?

Mr. WHEELER. I would reach the conclusion that the committee was quoting from a statement of the Federal Trade Commission, as stated in this particular paragraph, and I would attach no other importance to it than the fact that it was a part of the general statement covered by this particular section.

Senator NORRIS. Now, the only quotation that you make in that report, or that the committee of your chamber makes, is these words: "Are soon to come under further governmental regulations approved by the Executive order." That is the only quotation in that extract from the report that has been read—less than two lines.

Mr. WHEELER. Well, is there any objection to it?

Senator NORRIS. Not a thing in that. But you are referring to what I have read as a quotation from some report. There are only those few words, and the balance is the language of your committee of the chamber of commerce.

Mr. WHEELER. It is not uncommon, Senator Norris, for a quotation to be made. I am not quite sure that you are the party, but reference was made on Wednesday of last week to a referendum of the chamber of commerce in respect to economic conditions and boycotts. The Senator asking the question of the witness made certain references to a quotation. The quotation might be construed to indicate that the chamber of commerce was in league with German interests in an endeavor to maintain certain economic after-war conditions! I do not find that there is any embargo upon the use of quotations that fill a particular point in completing a paragraph or in completing an argument or statement with respect to the particular subject on which the committee is speaking.

Senator NORRIS. No; I do not either. The only fault I find with your answer is that it is not an answer to the question.

Mr. WHEELER. Perhaps it is as much of an answer as I am capable of giving.

Senator NORRIS. Well, that may be. You are vice president of the Union Trust Co.?

Mr. WHEELER. Yes, sir.

Senator NORRIS. That is a corporation that does a general banking business, is it?

Mr. WHEELER. Yes.

Senator NORRIS. Is it a bank—the Union Trust Co.?

Mr. WHEELER. It is supposed to be.

Senator NORRIS. That is what I am trying to find out. If you are vice president of it you ought to know.

Mr. WHEELER. You asked the question if it did a general banking business. It could not do a general banking business without being a bank.

Senator NORRIS. Oh, I did not hear your answer to that question.

Mr. WHEELER. I beg your pardon.

Senator NORRIS. How long have you been vice president?

Mr. WHEELER. About 10 years.

Senator NORRIS. Is that the bank that is referred to by the Federal Trade Commission in its report on page 20 as one that is controlled by the Armour interests?

Mr. WHEELER. I am not familiar with the report.

Senator NORRIS. Well, the Federal Trade Commission in its report on the packing industry, commencing on page 19, uses this language:

They—

Referring to the packers—

are further entrenched in financial institutions throughout the United States, as is evidenced by the following list, which relates only to the principal cities and packing centers. In each of the banks shown in this list the packers are represented on the board of directors through members of the individual families, or through officers, directors, or confidential employees of the packing companies. In addition, there are a number of banks not covered by this list, in which close business associates of the packers are directors.

In that list they give a large number of banks, and in Chicago, among many others, the Union Trust Co. is included. Is this bank connected in any way with Armour interests?

Mr. WHEELER. It is not.

Senator NORRIS. Are there any Armour people who are directors or who are in any way connected with the bank or own any interest in it?

Mr. WHEELER. By "Armour people," Senator Norris, what do you refer to? Do you refer to any second-cousin affiliations, or do you refer to the Armour Packing Co. in its direct relationships?

Senator NORRIS. Like you, I am quoting from the report. I want to see whether this report is true or not.

Mr. WHEELER. Yes; but I can not answer your question unless you give me some indication as to what you mean by "relations."

Senator NORRIS. Let me read it again: "They are further entrenched in financial institutions throughout the United States, as is evidenced by the following list."

Now, the Federal Trade Commission say—I judge from that language—that the meat-packing establishments are entrenched in financial institutions, and that the Union Trust Co., of which you are vice president, is one of those companies, and they refer to it as an Armour institution. Now, to what extent are they justified in doing that?

Mr. WHEELER. They are not justified in doing it at all, and it is an assumption such as they have made in many instances, not proven by fact.

Senator NORRIS. That is what I want to get at. If you will disabuse your mind, Mr. Wheeler, to begin with, of the idea that I am trying to get anything except the barefaced truth, whether it hurts this report or whether it substantiates it, we will get along much better. If it is true that the Federal Trade Commission have referred to the Union Trust Co. as being an Armour institution, the committee wants to know it.

Mr. WHEELER. May I ask, Senator, if you would be kind enough to indicate your purpose in bringing the Union Trust Co. into the chamber of commerce report on actions of the Federal Trade Commission?

Senator NORRIS. Yes; I will be glad to tell you my idea of it, and I will be very much franker than you have been in answering these questions.

The Federal Trade Commission, a governmental institution, has made a report, and I think that they have alleged some most astounding things in this report. Among other things, they say these packers are connected up with a lot of financial institutions.

Now, the chamber of commerce, of which you are president, has taken it upon itself to criticize this report severely. If it is true that the packers are connected up with these financial institutions, the Union Trust Co., among others, and you are president of the chamber of commerce and also vice president of one of the packers' banks, it would be an important thing as bearing on the weight the criticism that the chamber of commerce should have in finding fault with the Federal Trade Commission.

Mr. WHEELER. I regret very much that I can not take your view of that matter, but it seems to me that the effort to drag in matters

of that kind does not bear upon the particular thing that the chamber of commerce may have had to speak upon.

Senator NORRIS. That may be.

Mr. WHEELER. If you desire information as to the relations of the Union Trust Co. to any packing interest in this country, seek that information by calling for the Union Trust Co.'s officials and ask them to relate to you the exact interest which any packer may have. But it does not seem to me, Senator, that it bears upon this question; I think it beclouds it.

Senator NORRIS. Mr. Wheeler, it may be that you are right that this committee does not know how to proceed in this investigation, and that you could do lots better. But you are president of the chamber of commerce and also vice president of the Union Trust Co., and this body, the Federal Trade Commission, have said in their report that the Union Trust Co. is a packer institution, and it is perfectly proper for us to inquire of you whether that is true or not.

Mr. WHEELER. I have already made the answer.

Senator NORRIS. I understand you have, and if it is not true your skirts are cleared. But every lawyer knows that if a man is president of one concern and vice president of another and he has criticised a report like your chamber has criticised this one, it is very proper to find out whether he has not a financial interest himself in one of the things that have been criticised by the report. Now, if you have not you can so state, and that is what you have done; that makes it clear.

What is the New York correspondent of the Union Trust Co.?

Mr. WHEELER. We have a number.

Senator NORRIS. Is the Chase National Bank one of them?

Mr. WHEELER. One of them.

Senator NORRIS. Are you acquainted with the board of directors and the principal stockholders of the Union Trust Co.?

Mr. WHEELER. I am.

Senator NORRIS. You have been connected with it, you say, for 10 years?

Mr. WHEELER. Yes.

Senator NORRIS. And are any of the Armours interested as stockholders in that company, or any of them officials of any kind in that bank?

Mr. WHEELER. I can not answer your question with respect to the holding of stock, whether any of the Armours hold stock or not; but none of the Armours are in any way connected with the bank.

Senator NORRIS. They are not officials?

Mr. WHEELER. Oh, no.

Senator NORRIS. There is no official of the Armour Packing Co. who is also an official of the bank?

Mr. WHEELER. There is not.

Senator NORRIS. Different packers, particularly the Armours, do business with the Union Trust Co.?

Mr. WHEELER. We have some packing accounts, as all the banks have.

Senator NORRIS. Do you loan them a good deal of money?

Mr. WHEELER. At times we loan them some money.

Senator NORRIS. Mr. Wheeler, did you have anything to do with this report made by your committee, except to examine it? Did you make any suggestions in regard to it?

Mr. WHEELER. The report was submitted to me, was read, and possibly a few minor suggestions relative to its phraseology were made; nothing that would in any way change the general sense of the report nor the force of its language.

Senator NORRIS. Were you at one time a member of the Federal trade committee of the chamber of commerce?

Mr. WHEELER. I was.

• Senator NORRIS. How long ago?

Mr. WHEELER. Until April of this year.

Senator NORRIS. That is when you were elected president of the chamber?

Mr. WHEELER. Yes.

Senator NORRIS. Can you give the committee the names of the members of that committee?

Mr. WHEELER. Well, I could give them from memory, but Mr. Butler has already given them to you, Senator.

Senator NORRIS. They are in the record. Do you remember whether Mr. Cotton is a member of that committee?

Mr. WHEELER. He is not.

Senator NORRIS. Has he been a member of it?

Mr. WHEELER. Yes; he was a member the first year of the committee's life, and I think possibly a part of the second year.

Senator NORRIS. Now, Mr. Wheeler, have you examined carefully the report of the Federal Trade Commission on the meat-packing industry that we have been investigating?

Mr. WHEELER. I have not examined it recently, Senator Norris. I read the report at the time it was first issued.

Senator NORRIS. Do you know enough about the business to have formed an opinion as to whether the statements or the findings they have made are true or not?

Mr. WHEELER. I have not.

Senator NORRIS. You have never examined any of the evidence?

Mr. WHEELER. I have not.

Senator NORRIS. Then you are not able to give any opinion as to whether their findings are correct or incorrect?

Mr. WHEELER. My understanding is that this report was to be followed by a more detailed report in many sections, which would give the information or evidence upon which they based their conclusions.

Senator NORRIS. Yes; I suppose that is true; but I am inquiring particularly now whether you have any reason to believe that any of their findings are not sustained by evidence.

Mr. WHEELER. I have no opinion to express on it.

Senator NORRIS. Do you approve or disapprove of their recommendations as to the taking over of the stockyards?

Mr. WHEELER. I have no opinion to express on that subject, Senator Norris. I would be very glad to express a personal opinion on it after I have seen the detailed reports that are subsequently to be made, but I think, as in your own case, a man should hold his mind open until such time as he sees the evidence. Based upon the

preliminary report, I do not think there is a sufficient foundation to draw a final conclusion.

Senator NORRIS. Does the chamber of commerce, as a part of its business, investigate the practices of its own members?

Mr. WHEELER. I want to get your point of view—

Senator NORRIS. I was about to ask you another question that will probably make that plainer. If some member of your chamber thought some other member was not dealing fairly, would it be his right to complain to the proper officials and have an investigation made, and if he did would there be an investigation made with a view to stopping anything that was unfair among your own membership?

Mr. WHEELER. I would like to answer that question by giving you a little clearer idea of the machinery of the chamber.

Senator NORRIS. All right.

Mr. WHEELER. The organization is made up, not of individual members who have the right of vote, but of organizations that have the right of vote; and the individual membership and the associate membership receives the service of the chamber—by that I mean, its publications, and the use of its research bureaus for such information as may be needed by them—but without any right to express themselves upon any policy or subject which the chamber may have up for consideration, and the vote is entirely an organization vote.

That would make it very difficult for individual members to press complaints or ask investigations, and it has not been done. But if a member of the chamber were guilty of violation of business ethics or of laws that should be observed in the conduct of business, I should say that it would be entirely proper for an individual member, as well as an organization, to ask for an inquiry; and I would further believe that the chamber of commerce would institute that inquiry, and if its member as an individual or associate member was guilty I see no reason why the Chamber of Commerce should not exclude from its membership that particular individual, corporation, or firm.

My only recollection of a question of that kind having arisen is in connection with one of the arbitrations that is being carried on as between the Argentine interests and our interests in the United States with respect to the shipment of certain merchandise into the Argentine. The complaint was made against an American firm, and the question was asked whether that firm was a member of the chamber of commerce—asked for the purpose of indicating our duty, if they were found to be members of the chamber, to discipline them for an action that was rather against the interests of American business in South America. That is the nearest answer I can give.

The chamber's door is open, Senator Norris, to such complaints, and the inquiry will be instituted and action will be taken accordingly.

Senator NORRIS. Was that one of the objects of its organization?

Mr. WHEELER. I think not specifically an object of the organization; but I should say that if an organization were unwilling to discipline its members who might be guilty of breaches of that kind, it would not be an organization that could command perfect confidence on the part of either the Government or of business parties.



Senator NORRIS. Is it a part of the business of the organization to investigate practices in business that you consider wrong on the part of institutions that are not members of your chamber?

Mr. WHEELER. I see no reason why the chamber should not extend its inquiry or investigation beyond its own membership if it were requested to do so, or if the board of directors were confronted by facts that made it necessary to do so.

Senator NORRIS. No, I do not see any reason why they should not. I am not asking with that in view. I wanted, if I could, to get a clearer idea of its activities. As I understand you, while it might do those things, it never has, but is ready to do them in case proper occasion arises.

Mr. WHEELER. I should say that would be the policy of the chamber.

Senator NORRIS. Do you know how many members they have?

Mr. WHEELER. There are more than 1,100 organizations. The individual members, I should say, are between 6,000 and 7,000.

Senator NORRIS. Do individual members vote?

Mr. WHEELER. They do not.

Senator NORRIS. It is just the organizations that vote?

Mr. WHEELER. That is all. May I finish my statement?

Senator NORRIS. Yes.

Mr. WHEELER. The associate membership is a little less than 2,000. That would complete the membership of the chamber.

Senator NORRIS. Well, who votes? Let us get an idea just who has a right to vote in the organization.

Mr. WHEELER. Organizations only.

Senator NORRIS. And they number something over 1,100?

Mr. WHEELER. Yes.

Senator NORRIS. Have you any idea, Mr. Wheeler, as to the aggregate amount of wealth that is represented in the chamber altogether?

Mr. WHEELER. It has never been computed, Senator, nor any attempt made to compute it.

Senator NORRIS. Can you give us any idea as to the comparative number of members of the association and otherwise as compared with the total number of such institutions in the United States? What proportion are members, and what are not?

Mr. WHEELER. The Department of Commerce issued a directory of commercial organizations, which I believe has been once or twice revised, which contains presumably the names of all associations, both trade associations and chambers of commerce, and business organizations locally. I am not quite sure of the total number, but I should imagine that it might be somewhere in the neighborhood of 4,000 of such organizations. Many of them are retail associations and small groups in small towns. Of the principal organizations I should say that a very large percentage of them were included in the 1,100, with respect to both national and Statewide trade associations, whose relationships are solely for the interest of a line of business or an industry, and also of the principal cities of the country whose chambers of commerce are representative both of the commercial and the civic interests of the community.

Senator NORRIS. Give us a general idea of how you spend the money of the chamber. What is it used for, and how much is there of it?

Mr. WHEELER. I should be very glad, indeed, to send you the yearly reports of the chamber, indicating exactly the manner in which the expenditures are made. The chamber was organized in 1912 without funds. It was given a function to perform, and had to find the wherewithal to perform it. The organization that was put together in the first year was supported by the guaranties of the directors of the chamber who felt it necessary to anticipate any possible revenues by creating an organization that could creditably carry on the work. Each year the functions of the chamber have broadened and its scope of work has increased and the funds have increased as rapidly as it has been possible to secure additional membership, until the present year, the support now being entirely from memberships and not from contributions from outside, the average will be something in the neighborhood of a half million dollars.

Senator NORRIS. What do you use the money for?

Mr. WHEELER. It is used altogether for the maintenance of our Washington organization; for a branch office in New York, one in Chicago, and one in San Francisco; for the field staffs that are visiting organizations and are located in different sections of the country; for the research bureaus that are conducted here; for the publication known as *The Nation's Business*; for committee work and the necessary research that goes with it; and such clerical assistance as may be necessary in connection with all of its activities.

Senator NORRIS. What is the field work?

Mr. WHEELER. The field work to-day is keeping a group of men who have been especially chosen because of their knowledge of association work and their general character in approach to business organization. They visit these organizations and assist them in their membership campaigns, when a campaign may be on, by direction of the efforts of the organization for its greater efficiency, by the solicitation of memberships for the chamber, both of organizations and of individual and associate memberships.

Senator NORRIS. Would these field agents go into a town where they had a commercial club, for instance, and assist them in organizing a club? Is that a part of the field work?

Mr. WHEELER. They might easily do so. They would assist them by suggestion, and even, if a request were made for the purpose, by actually participating in such organization. There is very little of that necessary, because in most cities the organizations already exist. In many instances they desire improvement both in efficiency and in membership, and our men assist them in that.

Senator NORRIS. And your officials assist them in making such improvements as may be deemed wise?

Mr. WHEELER. Yes. And we also have an organization-service bureau, operating here in Washington, that by its publications, its bulletins, and its contact with the secretaries of these organizations, keep them constantly informed as to the best methods of procedure. Where an association has come to have some particular function that has fitted well into the community and made its work more efficient for the community, such information is passed on to all of the organizations through the organization-service bureau of the chamber. The field men are, of course, kept posted with regard to these new moments on the part of the different associations.

Then, as a later function of the chamber, first through the suggestion of the Council of National Defense and later through a later suggestion of the War Industries Board, we have a department for the organization of industry for war purposes and for after the war, both those that are producing war materials and the so-called nonwar industries.

Under that division there is being brought to Washington almost daily, at the request of some division of the War Industries Board, an entire industry, or such of its members as may be delegated to respond. War service committees are organized. The chamber then polls the entire industry, all of its units, to have them accept the war-service committee as their representative in matters that the Government may wish to inquire into with respect to that industry.

These committees are being formed constantly, and we already have in existence between 200 and 300 of them available for the service of the Government in any of its departments.

Senator NORRIS. Do you assist in the organization of councils of defense?

Mr. WHEELER. I do not recall that the chamber has ever taken any part in the organization of such councils.

Senator NORRIS. Have you taken any part in the Food Administration? Have you assisted in that line in any way?

Mr. WHEELER. The chamber has never had any occasion to do so.

Senator NORRIS. Are you food administrator of Illinois?

Mr. WHEELER. I am.

Senator NORRIS. Has the chamber ever interested itself in any way, either directly or indirectly, in the selection of food administrators in the various States and the subdivisions of States?

Mr. WHEELER. I have never heard of any such effort, Senator.

Senator NORRIS. That is not a part of the work?

Mr. WHEELER. Far from it.

Senator NORRIS. The object of it all is, as I understand it, to rather harmonize any difficulties that may arise in business and make your various organizations more efficient in carrying on their various lines of business? Is that one of the principal objects?

Mr. WHEELER. Would you like to have the objects read into the record from the by-laws of the chamber, and amplified, if you please?

Senator NORRIS. I have no objection to having them printed.

Mr. WHEELER. It will probably answer the question from the standpoint of our laws rather than from the standpoint of a personal opinion.

Senator NORRIS. Yes, we will have that in, but I would like to have your testimony as to the exact way in which all those things are carried out rather than the technical statement. Suppose you read it, if you want to, and maybe comment on it afterwards.

Mr. WHEELER (reading):

The chamber of commerce is formed for the purpose of encouraging trade and commercial intercourse between the States, the Territories, and insular possessions of the United States of America and with foreign nations, and for promoting cooperation between chambers of commerce, boards of trade, and other commercial and manufacturers' organizations of the United States, increasing their efficiency and extending their usefulness. It is intended to secure cooperative action in advancing the common interests of its members, uniformity and

equity in business usages and laws, and proper consideration and concentration of their opinions upon questions affecting the financial, commercial, civic, and industrial interests of the country at large.

Senator NORRIS. Mr. Wheeler, in carrying out those objects, do you conceive it to be the duty of the chamber of commerce to make the criticism that has been made of the Federal Trade Commission in its activities?

Mr. WHEELER. I see no reason why it was inconsistent in doing so.

Senator KENDRICK. Senator Norris, may I interrupt at this point? Mr. Wheeler, I was unfortunate in not hearing your testimony to begin with, and I ask for information. Was there any considerable number of your organization that considered the propriety of making this criticism before the criticism was made?

Mr. WHEELER. The report of the Federal trade committee was not submitted to the membership, if that is what you have reference to, Senator Kendrick.

Senator KENDRICK. I wish to find out whether the protest or criticism was inspired by just a few men who might possibly, as Senator Norris has suggested, have had a financial interest, or whether it was the expression of any large number of your organization.

Mr. WHEELER. I think you will find in Mr. Butler's testimony the actual process that led up to the publication of this report. I will be very glad to repeat it, if it is desired.

Senator KENDRICK. It is unnecessary. I wondered if you held a general meeting of any of the members of your organizations, or of the allied associations or chambers of commerce in different parts of the country before passing judgment on this report.

Mr. WHEELER. No such meetings were held, nor were they necessary.

Senator KENDRICK. Then you made the protest without any regard to the truthfulness of its character?

Mr. WHEELER. You have no right to make that assertion.

Senator KENDRICK. I assume that, since you say there was no necessity of having any expressions from the different members of your organization who might have known that the facts stated were true—did I understand you correctly?

Mr. WHEELER. You have read the report, Senator?

Senator KENDRICK. Yes.

Mr. WHEELER. Do you find any statement in the report that the facts stated by the Federal Trade Commission are not true?

Senator KENDRICK. In your protest?

Mr. WHEELER. Yes.

Senator KENDRICK. I have only read parts of your protest; but I have wondered, in connection with it, whether you intended to say that the report was untrue or not.

Mr. WHEELER. Senator, the report will speak for itself. If you will read it in full you will not have any such impression.

Senator KENDRICK. That it says it is not true?

Mr. WHEELER. It does not speak of the report of the Federal Trade Commission as being true or untrue. The report of the chamber is not directed against the report of the Federal Trade Commission; it is directed against the procedure of the Federal Trade Commission, and there is no question of veracity or accuracy involved in it.

Senator KENDRICK. On what, may I ask, was the criticism against the procedure based?

Mr. WHEELER. That it was un-American and improper——

Senator KENDRICK. In what way, if you please?

Mr. WHEELER. The report itself, Senator, will speak for that.

Senator KENDRICK. I understand, but in what specific way was it un-American? I am one of those who hold great faith in the integrity and fair dealing of the average American citizen, especially one who has to do with affairs, but it seems inconceivable that there could have been so much misinformation about that Federal Trade Commission report. It has been stated that the packers were not given an opportunity to be heard. Do you know, as it is a fact, that the packers were given every opportunity to be heard, provided only they were to waive the right of immunity against a prosecution in case they were heard?

Mr. WHEELER. Senator, I would prefer not to discuss the Federal Trade Commission's report. The report of the Federal trade committee in its seven counts is in the record. It has been discussed by the chairman of that committee, who prepared it and who was familiar with all of its provisions. I did not prepare the report, and I do not regard myself as competent to discuss it when it has already been discussed by the man who did prepare it. As president of the organization, I can not undertake to be completely familiar with every detail, and I am not in position to discuss the report in detail.

Senator KENDRICK. Mr. Wheeler, let me ask another question, just for the purpose of determining how well considered their action was in making this protest. Did your committee know that 28 years ago a committee of this Senate, composed of Vest, of Missouri; Coke, of Texas; Plumb, of Kansas; Manderson, of Nebraska; and Cullom, of Illinois, everyone of them men who have left splendid records of service in the Senate—did your committee know that that committee of the Senate, holding meetings in different parts of the country in much the same way as the Federal Trade Commission and taking the testimony of sworn witnesses, developed, according to their conclusions, the same facts that the Federal Trade Commission has developed, and that they reported in almost the same language on this situation in which the Federal Trade Commission has recently reported? Did your chamber of commerce know that to be a fact at the time they criticized this action?

Mr. WHEELER. I have no knowledge of what the committee knew of past history of the Senate of the United States.

Senator KENDRICK. Well, it would have had a direct bearing. There could have been no ulterior motives on the part of this Senate committee, no motive other than just to secure the facts, and it seems to me it would have made a difference to you as indicating that your own members were wrong instead of the Federal Trade Commission.

Mr. WHEELER. I have no answer to make, Senator, because I have no knowledge of what the Federal trade committee knew of the past history of this committee of which you speak.

Senator KENDRICK. I mean the chamber of commerce committee; that is the one I am speaking of now.

Mr. WHEELER. That would not influence me to make any expression with respect to the right or wrong of their report.

I think, if you will get back to the point you started on—if I may make a suggestion—as to why the committee should give publicity to a report that had not been acted upon by the organization in its customary manner—you were starting that?

Senator KENDRICK. Yes.

Mr. WHEELER. That I should like to answer, because that is not a matter or past history or of personal opinion; it is a matter of routine.

The Federal trade committee made a report to the board of directors, then in session, immediately following its last conference with the Federal Trade Commission. The board of directors asked the Federal trade committee to put its report in writing and submit it for the board's consideration. Such a report was presented, and was referred to the committee, asking them to check all of their citations on the records in order to be perfectly clear, and return the report to the board. The board then ordered the president to transmit a copy of the report to the President of the United States, and subsequently to take such action as might be deemed necessary, all of which must be dependent upon whether the President took any action in the matter, and it ultimately came to the point of publication of the report. The report of a chamber of commerce committee, made to its board of directors and authorized for publication by them, is in line with the procedure of the chamber with respect to both its committee reports and its referendum. This was not a question upon which a referendum was to be put forth. It was a report of a committee that the board of directors dealt with and ordered disposition of, as was its undoubted right under our by-laws and by virtue of the machinery of our organization.

Senator NORRIS. And why not a referendum there, Mr. Wheeler? Would it not have been proper, in the first place, under your rules and regulations to have referred this to the membership before you gave it publicity?

Mr. WHEELER. I think, Senator Norris, that the report of the Federal trade committee could have been put up in the form of referendum. If this committee would like to have it so, I am quite sure it could be done now, if that expression is desired.

Senator NORRIS. Here is a report of the Federal Trade Commission that you, as president of the chamber of commerce—and Mr. Butler also said the same thing, who wrote this report and criticism—that has been severely criticised, and yet you say that as to the findings made by that commission you do not pretend to say they were false or unfounded on the evidence, and the only criticism you are really making, as I understand it, is that the Federal Trade Commission did not pursue the right kind of a course; in other words, its method was what you criticised and not its findings. Now, is that right?

Mr. WHEELER. Quite right, and I see no reason why an organization like the chamber of commerce, through its directors, should not offer a criticism.

Senator NORRIS. I am not complaining about the criticism; I want to get the facts. Your chamber of commerce does not pretend to deny that any specific finding made by the Federal Trade Commission is untrue.

Mr. WHEELER. The report is the report of the Federal trade committee to the board of directors, who directed its disposition.

Senator NORRIS. That does not answer my question. Let me ask it again. Does the chamber of commerce, either through you, its president, or through its committee, or in any other way, desire to convey to the public that the findings made by the Federal Trade Commission are untrue?

Mr. WHEELER. All that we desire to convey to the public is in that document, and the chamber of commerce's board of directors will stand on the document.

Senator NORRIS. Exactly. Still, you have not answered my question, Mr. Wheeler. Does the chamber of commerce deny the truth of the findings of the Federal Trade Commission in its report?

Mr. WHEELER. Have you been able to find it there?

Senator NORRIS. I am asking you. You are the witness.

Mr. WHEELER. I have not been able to find it.

Senator NORRIS. I am asking you a fair question. I want you to be just as frank in your answer, and if you will not answer directly I will have to go into the findings and inquire as to each one. I wanted to ask you generally. I asked the same question of Mr. Butler. I judge you have practically said it in your testimony so far, but you have not been explicit, and I want to ask you again. Does the Chamber of Commerce of the United States deny the truth of any of the findings made by the Federal Trade Commission in their report?

Mr. WHEELER. Not as I read the report.

Senator NORRIS. Well, either in that report or any other way?

Mr. WHEELER. The chamber of commerce is only speaking in the report.

Senator NORRIS. I understand that. But you have criticized a report of a governmental bureau, and that criticism has been given very extensive publication. Now, as I called your attention at the beginning, many editorials and many things have been said by newspapers that evidently are not based on the findings of the Federal Trade Commission, but are based on some conclusion they have drawn from this report of yours, and they have made assertions that are not borne out at all by the findings of the Federal Trade Commission, and I was simply asking you this question now, as president of the chamber of commerce, whether that chamber denied the truth of any of the findings made by the Federal Trade Commission in its report? You can answer that question. You either do or you do not; I want to know whether you do or whether you do not.

Mr. WHEELER. That question can not be answered, Senator Norris. What conclusions may be drawn or deductions may be drawn or improper inferences drawn or by any other party from this report, can not concern the chamber of commerce.

Senator NORRIS. It ought to concern the chamber of commerce. If false conclusions have been drawn from your report, you ought to be glad to rectify them.

Mr. WHEELER. False conclusions have been drawn by certain members of the Senate with respect to the relation of certain interests to the Chamber of Commerce. They also ought to be corrected and rectified.

Senator NORRIS. Yes; probably. But that does not excuse you if somebody else ought to correct something. [Reading:]

The producer of live stock is at the mercy of these five companies, because they control the market and the marketing facilities, and, to some extent, the rolling stock which transports the product to the market.

That has reference to the five big packing concerns. Does the chamber of commerce deny that statement?

Mr. WHEELER. Has the chamber of commerce made any reference to that statement?

Senator NORRIS. I am asking you whether they deny it or not?

Mr. WHEELER. Why should you ask me a question as to the chamber of commerce—

Senator NORRIS (interposing). No difference why I should ask you a question as to the chamber of commerce. I am asking you.

Mr. WHEELER. That is all right; I am not answering it.

Senator NORRIS. We will stand on it if you stand on it. If the chamber of commerce wants to take that position, you are welcome to take it. [Reading:]

The competitors of these five concerns are at their mercy because of the control of the market places, storage facilities, and the refrigerator cars for distribution.

Does the chamber of commerce deny that statement?

Mr. WHEELER. Same answer.

Senator NORRIS (reading):

The consumer of meat products is at the mercy of these five because both producer and competitor are helpless to bring relief.

Does the chamber of commerce deny that?

Mr. WHEELER. Same answer.

Senator NORRIS (reading):

The stock car is a part of the equipment of the common carrier whose services are necessary to the producer of meat animals so that he may reach the market. The railroads furnish suitable cars for the transportation of other kinds of freight, and as to the use of such cars, the miner of coal or the manufacturer of furniture are on an equality, but in the matter of transportation of live stock, to a small degree there comes in a private ownership and a control and a manipulation of the meats of transportation—the stock car—so it is that we recommend—

And then they follow with the recommendation. That is a statement of facts. Does the chamber of commerce deny that?

Mr. WHEELER. Same answer.

Senator NORRIS. The facts are, as I got them from your testimony and from Mr. Butler, who was very explicit about it and answered very frankly, that as to the findings that the Federal Trade Commission have made you make no criticism whatever, but because of the procedure that they took to reach those findings you criticized them. In other words, your criticism is of the form and not the subject.

Senator KENDRICK. Mr. Wheeler, would your chamber of commerce have made this protest or criticism, whatever it may be called, of this report, if they had known as an organization, without regard to their membership, that the findings of this report were absolutely true, and that their own membership or members were acting, as he said, in an un-American way?

Mr. WHEELER. I assume that the directors, when they received this report and ordered its disposition, were quite willing to assume



responsibility for such action with all the light they had, and I do not know what additional light would have changed their minds. That I could not answer for, either respecting the matters you have previously submitted or any other matters of fact that may be brought to their attention.

Senator RANDELL. Is there anything else, gentlemen?

Senator NORRIS. I think I have nothing else.

Senator RANDELL. Mr. Wheeler, do you wish to say anything else?

Mr. WHEELER. I have not anything, except I hope that since the relation of the packing industry to the chamber has been raised in these hearings that the committee will give Mr. Goodwin, general secretary, the opportunity to present the facts that I have previously stated would be ready for the committee's consideration.

Senator RANDELL. I presume that is entirely agreeable to the committee. It is about 12 o'clock now. [After consultation of members of the subcommittee.] Gentlemen, we will now adjourn until Thursday at 10.30 o'clock, when the subcommittee will be glad to hear Mr. Goodwin.

(Thereupon, at 12 o'clock m. the subcommittee stood adjourned to meet Thursday, September 26, 1918, at 10.30 o'clock a. m.)

## GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

THURSDAY, SEPTEMBER 26, 1918.

UNITED STATES SENATE,  
SUBCOMMITTEE ON AGRICULTURE AND FORESTRY,  
*Washington, D. C.*

The subcommittee met at 10.30 o'clock a. m.

Present: Senators Ransdell (acting chairman), Kendrick, Norris, and Kenyon.

### STATEMENT OF HON. WILLIAM B. COLVER, CHAIRMAN FEDERAL TRADE COMMISSION.

Senator NORRIS. Senator Ransdell has telephoned that he is coming in a few minutes, and he asked if we would not go ahead.

Mr. Colver, how old are you?

Commissioner COLVER. Forty-eight years to-day.

Senator NORRIS. Where do you reside, Mr. Colver?

Commissioner COLVER. My legal residence is in St. Paul, Minn. I am residing in Washington at present.

Senator NORRIS. What office or position, if any, do you occupy?

Commissioner COLVER. I am chairman of the Federal Trade Commission.

Senator NORRIS. How long have you been a member of the Federal Trade Commission?

Commissioner COLVER. I have been a member of the Federal Trade Commission since March 15, 1917.

Senator NORRIS. And how long have you been chairman?

Commissioner COLVER. Since about June 9, 1918.

Senator NORRIS. Did the Federal Trade Commission make an investigation of the packing business and allied interests?

Commissioner COLVER. Yes, sir.

Senator NORRIS. How did you happen to make that investigation?

Commissioner COLVER. The investigation was immediately the result of a letter written by the President to the Federal Trade Commission, February 7, 1917, directed to the chairman of the Federal Trade Commission.

Senator NORRIS. You might put that letter in the record at this point.

(The letter referred to is here printed in full, as follows:)

THE WHITE HOUSE,  
*Washington, February 7, 1917.*

MY DEAR MR. CHAIRMAN: An adequate supply of food products is a matter of concern to the Nation at all times. It is of peculiar importance at present. Our domestic food supply is normally very large and has become increasingly varied. In some respects it has steadily expanded and has kept pace with the increasing population. Unfortunately, this is not true, however, of a number of important staple products, including certain cereals and particularly meats. While the population of the Nation has increased 26,000,000 since 1900, the production of the two leading cereals, corn and wheat, while tending to in-

crease, has shown only a slight advance; and that of the meat products in the same period has shown an increase of only 3,500,000,000 pounds—a decrease of 29 pounds per capita.

Much can be done, and is being done, to change this situation through improved methods of production and through the control or eradication of plant and animal diseases. But there are problems also of distribution; and, in some respects, the problems presented in this field are the more difficult. Only recently have official agencies been created to deal systematically with this side of the difficulty. Much work has been done, and, considering the limited nature of the powers under which it has been conducted, no little headway has been made, particularly in obtaining and diffusing useful information. Nevertheless, it is not yet clear in many directions just what the nature of the difficulty is or what measures should be adopted to effect fundamental improvements. Many necessary facts are not available, and it is questionable whether any single agency of the Government at present possesses the requisite power and equipment to secure the information needed to enable both public and private instrumentalities to render their fullest service to the people. It is obvious that there will be no sufficient incentive to enlarge production if there does not exist an unobstructed and economical system of distribution. Unjustifiable fluctuations in prices are not merely demoralizing; they inevitably deter adequate production.

It has been alleged before committees of the Congress, and elsewhere, that the course of trade in important food products is not free, but is restricted and controlled by artificial and illegal means. It is of the highest public concern to ascertain the truth or falsity of these allegations. No business can be transacted effectively in an atmosphere of suspicion. If the allegations are well grounded, it is necessary that the nature and extent of the evils and abuses be accurately determined, so that proper remedies, legislative or administrative, may be applied. If they are not true, it is equally essential that the public be informed, so that unrest and dissatisfaction may be allayed. In any event, because of the grave public interests which the food supply affects, the efficient performance of the duties imposed upon agencies of the Government requires that all the pertinent facts be ascertained. To this end, the powers of such agencies should be made adequate, if in any respect they are now deficient.

Pursuant to the authority conferred upon me by the act creating the Federal Trade Commission, therefore, I direct the commission, within the scope of its powers, to investigate and report the facts relating to the production, ownership, manufacture, storage, and distribution of foodstuffs and the products or by-products arising from or in connection with their preparation and manufacture; to ascertain the facts bearing on alleged violations of the anti-trust acts, and particularly upon the question whether there are manipulations, controls, trusts, combinations, conspiracies, or restraints of trade out of harmony with the law or the public interest.

I am aware that the commission has additional authority in this field, through the power conferred upon it to prevent certain persons, partnerships, or corporations from using unfair methods of competition in commerce. I presume that you may see fit to exercise that authority, upon your own initiative, without direction from me.

The Department of Agriculture has been engaged for several years in studying problems of distribution. I have noted that it has been proposed in the Congress to add to the funds of the department and give it larger powers to conduct its investigations. As its activities will touch phases of the problem I am calling to your attention which may not be covered by your inquiry, and may furnish information of great importance for the purposes contemplated, I shall direct that department to cooperate with you in this enterprise.

For the adequate prosecution of the inquiry by both your commission and the Department of Agriculture, it is essential that sufficient funds be available. I accordingly request that you furnish me at the earliest possible moment an estimate for an appropriation, if one is needed, to supplement existing appropriations, to enable you successfully to carry out the investigation.

A copy of this letter is being sent to the Secretary of Agriculture, with the direction that his department cooperate with you and with the request that he furnish an estimate for the funds needed by his department.

Sincerely, yours,

(Signed)

WOODROW WILSON.

Hon. WILLIAM J. HARRIS,  
Chairman Federal Trade Commission,  
Washington, D. C.

Senator NORRIS. Was that letter your authority for making the investigation?

Commissioner COLVER. That was the authority, together with an item in the appropriation bill carrying an appropriation for the purposes of the investigation.

Senator NORRIS. That was an appropriation made by Congress?

Commissioner COLVER. Yes.

Senator NORRIS. You had previously made an investigation that has been designated ordinarily as a profiteering investigation. How did you happen to make that investigation?

Commissioner COLVER. The profiteering matter was not an investigation. The profiteering report, so-called, was made to the Senate by reason of a resolution introduced by Senator Borah, calling upon the Federal Trade Commission and other governmental agencies to make a report as immediately as might be of any data or information then in their possession—if I remember the wording of the resolution—tending to show whether or not profiteering was being indulged in.

Senator NORRIS. That report was, then, in answer to and in compliance with a resolution of the United States Senate?

Commissioner COLVER. It was. If I might explain, it was not based upon an investigation, but was an assembling of such material as was then in the hands of the commission, having gotten into the hands of the commission in the course of various other investigations.

Senator NORRIS. Mr. Colver, have you read a criticism on your investigation of the packers made by a committee of the Chamber of Commerce of the United States, of which Mr. Wheeler is the president?

Commissioner COLVER. Yes.

Senator NORRIS. Have you read the testimony of Mr. Wheeler and Mr. Rush C. Butler, who was chairman of that committee of the chamber of commerce that made this report?

Commissioner COLVER. I have read, rather hastily, the testimony of Mr. Butler. I have not read the testimony of Mr. Wheeler consecutively; I glanced through it very hurriedly.

Senator NORRIS. One of the purposes that I had in mind in asking you to come before us, which I think is shared by the other members of the committee, was to inquire of you concerning some testimony given by these two gentlemen.

In your report on the packing business, at the bottom of page 11, you use the following language:

Control of the meat industry carries with it not only control of all kinds of fresh and preserved meats, but in addition a very great competitive advantage in more than a hundred products and by-products arising in connection with the preparation and manufacture, ranging in importance from hides and oleomargarine to sandpaper and curled hair. In all these lines the Big Five's percentage of control, as compared with other slaughters, is greater even than the percentage of animals killed, because of the fact that many of the small packers are not equipped or have been unable to utilize their by-products.

I wish you would tell the committee what evidence the commission had in this investigation upon which it based that assertion.

Commissioner COLVER. It would be difficult to attempt a recitation of all the evidence. There is filed with the Senate, and has been since last April, in the Joint Committee on Printing, open at least to the use of the Senators and perhaps for public inspection for all I

know, several volumes of testimony and evidence. There is in the commission a very large amount of evidence. The major part of the evidence, aside from the oral testimony—and the documentary evidence is very much greater in volume than the oral testimony—consists of letters, telegrams, and memoranda taken from the files of the packers themselves, involving intercommunications with each other, office communications, directions to employees, communications with financial institutions, and communications with others. It is difficult in a single sentence to sum up a responsive answer to your question upon what evidence we based it, because the body of evidence and testimony is so great.

Senator NORRIS. Was there any evidence in any of these files that indicated any contrary condition? I mean on this point, was there any dispute in the evidence as to whether you were justified in making this statement? Was it denied by anybody, or has it been denied by anybody since?

Commissioner COLVER. I think it has not been denied. There may be in the mass of evidence things that, while not denying, may not be cumulative; but the overwhelming weight of the evidence—and the evidence was gathered not for the purpose of establishing any conditions but to find out what the condition was—the overwhelming evidence in our hands, part of which was placed, last April, I think, in the Joint Committee on Printing, justifies our statement.

Senator NORRIS. As I understand, the commission was not acting as a prosecutor, but rather in the capacity of an investigating tribunal to find out what the truth was?

Commissioner COLVER. We were obeying the will of Congress and the wish of the President, which was not to build up a case but to find the truth.

Senator NORRIS. You referred to financial institutions. That leads me to read to you another paragraph from your report and ask you some questions in regard to Mr. Wheeler's testimony in connection therewith. On page 19 of the report you state:

Lastly, as an element of control, are the big packers' widely distributed interests in banks and real estate, which the commission has not as yet completely explored.

In the financial field the packers' strength is based not so much on actual ownership as upon the influence which they can exert by reason of their volume of business and commanding industrial position.

They are further entrenched in financial institutions throughout the United States, as is evidenced by the following list, which relates only to the principal cities and packing centers. In each of the banks shown in this list the packers are represented on the board of directors through members of the individual families or through officers, directors, or confidential employees of the packing companies. In addition, there are a number of banks not covered by this list in which close business associates of the packers are directors.

Then follows a list of banks in Boston, New York, Chicago, East St. Louis, South St. Paul, Sioux City, Omaha, St. Joseph, Kansas City, Wichita, Oklahoma City, Fort Worth, Denver, Portland, and San Francisco, making a very long list, and among the number in the Chicago list is the Union Trust Co.

Mr. Wheeler, the president of the chamber of commerce, which has made this criticism of your report, testified that he was vice president of the Union Trust Co. On his examination day before yesterday I asked him: "Is this bank"—referring to the Union Trust

Co.—“connected in any way with Armour interests?” His answer was, “It is not.”

Now, Mr. Colver, what evidence have you as to the truth of the statement in your report that the Union Trust Co. was properly listed as one of the banks that were connected with the packers, which statement has been so explicitly denied by the vice president of the Union Trust Co., who is also president of the chamber of commerce?

Commissioner COLVER. The fact is that George E. Marcy, president of the Armour Grain Co., and for many years the active man in that company, is a director of the Union Trust Co. This is shown in Rand & McNally's Bankers Directory, July, 1918, page 1901.

J. Ogden Armour owns 64 per cent of the stock of the Armour Grain Co. and other members of the Armour family own 22.9 per cent. There is no doubt in my mind that this connects the Union Trust Co. definitely with the Armour interests.

Senator NORRIS. I did not catch the first part of your answer. Will you state it again, if you please?

Commissioner COLVER. George E. Marcy, president of the Armour Grain Co., and for many years the active man in this company, is a director of the Union Trust Co. J. Ogden Armour owns 64 per cent of the stock of the Armour Grain Co. and other members of the Armour family own 22.9 per cent, making a total of 86.9 per cent Armour ownership in the company of which Mr. Marcy is the president.

Senator NORRIS. Do you know anything about Mr. Marcy's coming into the bank as a representative of the Armour interests except what you have given?

Commissioner COLVER. I should not care, I think, to add to my statement at this time.

Senator NORRIS. Are you acquainted with Frederick Rawson, president of the Union Trust Co., or who was in 1907 the president of that company?

Commissioner COLVER. I am not acquainted with him; no.

Senator NORRIS. Did he testify or did you get any evidence from him?

Commissioner COLVER. I am not certain of that.

Senator NORRIS. Do you know Fred L. Wilk, who was vice president of the Union Trust Co.?

Commissioner COLVER. No; I do not.

Senator NORRIS. Mr. Colver, do you know anything about the New York correspondents of the Union Trust Co.? I will ask you specifically, do you know whether the Chase National Bank, of New York City, is one of the correspondents of the Union Trust Co.?

Commissioner COLVER. I believe it is. I am not speaking of certain knowledge about that. I think it is. It is difficult to carry all these things in one's head.

Senator NORRIS. Can you tell the committee what your investigation found as to the Chase National Bank of New York City as being in any way connected with any of the packers; with the Wilsons, for instance?

Commissioner COLVER. I do not find among my papers, Senator, the necessary memoranda. I shall be glad to inform myself as to that.

Senator NORRIS. I wish you would put it in the record. I will say to you, Mr. Colver, that the Chase National Bank is in this list of New York banks that the report says are connected in one way or another with some of the packers.

Do you know, Mr. Colver, anything about the loans of the Union Trust Co. to any of the packers? That is the bank of which Mr. Wheeler is vice president.

Commissioner COLVER. The loans on June 30, 1917, running from the Union Trust Co. to packing concerns were: To Armour & Co., time note, no security, \$200,000; Cudahy Packing Co., note secured by liberty bonds, \$224,531.27; the G. H. Hammond Co., \$100,000. As of January 1, 1917, an outstanding loan to the Cudahy Packing Co., note, no security, \$150,000; total, \$674,531.27.

Senator NORRIS. While you are on the loans and have your notes before you, can you give the committee the loans made by the Chase National Bank of New York to any of these packers?

Commissioner COLVER. No. I am wondering if you are not thinking of the National City Bank?

Senator NORRIS. I am not now; I expected to ask you about that later.

Commissioner COLVER. I do not find the Chase Bank, but I will inform myself about it.

Senator NORRIS. Can you give the total of the loans made by these banks in this list that you have in your report?

Commissioner COLVER. I have not the tabulation of the loans as to that list; I have a tabulation of loans as to another list.

Senator NORRIS. What is the total?

Commissioner COLVER. I do not have them totaled; I can give them separately.

Senator NORRIS. Could you supply the committee with the total loans made to any of the packers by this list of banks included in your report? That would be quite a task, probably, but if you have that evidence I wish you would supply it.

Commissioner COLVER. Yes; we shall be very glad to do that if we can. If we can not, we shall be glad to indicate to the committee who can supply it.

Senator NORRIS. The criticism made by this chamber of commerce uses this language in one place:

During the past year or 18 months the commission's attitude and procedure have changed, and its altered position has become well developed.

Is that a correct statement, and, if so, what have you to say in regard to it? Has the attitude of the commission changed, and its procedure?

Commissioner COLVER. Perhaps the gentleman or gentlemen who wrote that know what they mean by "attitude." Attitude toward whom? The conduct of the commission has changed notably since April, and especially since May, a year ago.

Senator NORRIS. I wish you would tell the committee in just what respect it has changed.

Commissioner COLVER. The commission, immediately after the United States entered the war, was directed by the President to dedicate, to the full limit of its power and of its strength and the endurance of its staff and the commissioners, all the resources of the

commission to war work, and said that all other things must be secondary except the protection of business interests, which, in the commercial turmoil brought about by the war, were in danger of either destruction or grievous hurt.

So the commission has changed its activities very greatly. So far as the commission had been carrying on what might be called economic investigations—somewhat academic investigations—those things have been laid aside, and substituted therefor have been activities looking toward what help the commission might bring to the war-making branches of the Government in the prosecution of the war.

Senator NORRIS. The change then has been one that you have just described and has been made necessary by the investigations of things that are connected with the war?

Commissioner COLVER. Yes. But that leaves only part of the criticism answered. The criticism of the change of procedure has raised a doubt, I think, in the Senator's mind. If it has, I should be very glad to clear that up.

Senator NORRIS. If there has been a change, I should be glad to have you tell us just what the change is.

Commissioner COLVER. During the early and formative part of the commission's life it had no precedent to go by; it had no code of procedure. A code of procedure was agreed upon and was put into operation. That code of procedure, as laid down by the rules of practice, has not been changed essentially and, if changed at all, has only been changed in technical ways; the spirit has not been changed.

I do not like to speak of the commission as it was at any time before March 15, 1917, because there are others who can speak much more understandingly about it than I can, but I can say, at least, that since March 15, 1917, the procedure of the commission has been made to conform as exactly as possible to the procedure laid down by Congress in the organic act creating the commission.

Senator NORRIS. In all these investigations that you have been making, particularly the one that has brought forth the criticism of the chamber of commerce, you have been acting under either the resolution of the Senate or the instructions of the President of the United States?

Commissioner COLVER. Yes, sir.

Senator NORRIS. For instance, the meat investigation and the profiteering report were not undertaken on the initiative of the commission but were undertaken because you were ordered to undertake them, either by the Senate or by the President? Is that right?

Commissioner COLVER. It is absolutely correct. Since Gov. Fort and I have been on the commission—we came together on the same day—there has been no time when the commission has had time to initiate of its own motion any sort of an investigation, and it has not done so. We are still behind on our orders.

Senator NORRIS. When you say "behind on your orders" you mean the orders of the President or some branch of Congress?

Commissioner COLVER. Yes.

Senator NORRIS. This report of the chamber of commerce criticizes the action of the commission in computing the cost of coal; that is one of the criticisms they have made. Can you explain the method that the commission followed in doing that?



Commissioner COLVER. I can.

Senator NORRIS. I wish you would do so.

Commissioner COLVER. In order that the record may show what this chamber of commerce committee said about the coal—

Senator NORRIS. Just read that as a part of your answer, Mr. Colver.

Commissioner COLVER. That runs into rather a broad field. The committee says, on page 3:

In August, 1917, the commission gave advice to the President which resulted in the prices fixed by him on August 21. The commission's prices were constructed upon a new computation of costs, which excluded, among other things, interest and depletion.

That is not true; just simply not true.

The commission stigmatized reserves as coal held out of use and allowed no interest for investment in reserves. Part of the data before the commission was an anonymous estimate of costs in important fields. The correctness of the commission's method of computing costs is not here in question. The objections on the score of public interest are that the method was new; that it was applied at a critical moment when customary and honest bases of costs should not have been questioned; that it was arbitrary in that it had not been subjected to scrutiny at such hearings of the persons affected and the public as any responsible public body should accord; and that it placed below the cost of production the prices of at least 40,000,000 tons of bituminous coal in the annual supply. In other words, the commission was not prepared to undertake the highly important role it essayed, and dealt recklessly alike with national interests and personal rights.

That, I take it, is the charge.

Senator NORRIS. That is the charge made by the chamber of commerce through its committee; yes.

Commissioner COLVER. Well, not only it is not true, but there is no excuse for its not being true, because the marginal notes here—the annotations of this report—show a rather exhaustive search of public documents, and this whole thing has been set out in public documents and is a matter of public record. In fact, it was drawn out under examination by Senator Kenyon, who was then sitting as a member of the Manufactures Committee of the United States Senate. It was all made very clear and a matter of public record.

Senator NORRIS. What is the record? I would like to have you refer to it. Just give the number of the document which contains it, or, if it is in the hearings of the committee, give that.

Commissioner COLVER. Reading from hearings before the subcommittee of the Committee on Manufactures, United States Senate, Sixty-fifth Congress, second session, pursuant to Senate resolution 163, directing the Committee on Manufactures to investigate the causes of the shortage of coal and sugar, beginning December 12, 1917, page 93, answering a question by Senator Kenyon, crossing down to the third line in my answer, I said:

We just dismissed all investment claims and figures and took the producing costs—the cost of production—and then, in lieu of working out a capital cost, gave a depletion charge; that is, that every ton of coal that came out of the ground had decreased the capital value of that property by so much. So it was not necessary to know what the capital value was if what seemed to be a fair profit per ton plus depreciation were paid for the mining. Do you follow me—that that got rid of capital charge and the investment?

Senator LODGE. Yes; that is perfectly clear.

Before I read any further let me explain that at the time prices on this coal were fixed by the President a deplorable condition existed in the bituminous-coal industry, so far as the consumers were concerned. Coal was speculated in, coal was being run to unwarranted prices, coal cars and transportation equipment were being held idle for the speculative purpose of holding coal out of use, and the situation was such that Congress had then under consideration—and there were hearings, which we can quote from later—in the Interstate Commerce Committee of the Senate in connection with the Lever bill, section 25, if I remember correctly the number and section, but, in any event, the section which created the Fuel Administration.

The Federal Trade Commission had been, by the direction and on the authority of three separate resolutions—one from the House and two from the Senate—engaged in an investigation of the bituminous and anthracite coal industry. That had been one of these economic or general inquiries. It had gotten to a point where a large amount of data—a very large amount of data—had been secured. Besides, we had found costs on a large production at the request of Secretary Daniels. The President called upon the commission for an immediate compilation of the best information that it could assemble and said that it must be done in a very short time.

If my recollection serves me, about 14 or 15 days elapsed between the time of the President's direction to do this and the time that the result was placed in his hands. The matter apparently appealed to the President as being very urgent, as he came repeatedly to the commission's office—three or four times—spending at one time three hours there going over this subject, finding the state that the work was in, urging expedition, and always urging accuracy. That resulted in a table which is contained in this document I have just read from. As a result of that the President did fix the prices of bituminous coal.

This report says that the commission was not prepared to undertake the highly important rôle that it essayed. It essayed no rôle; it obeyed the direction of the President.

They say it dealt recklessly alike with national interests and personal rights. How recklessly it dealt and how well it was prepared is shown by the evidence as to subsequent events. I will read now from page 60 of the same document that I read from before. I read from the testimony of Dr. Garfield before the subcommittee on manufacturers (reading):

The facts are, I have had each of the changes figured on the basis of production in 1916 for the tons of coal involved, and the changes affect  $3\frac{1}{2}$  per cent only of the total value of the tonnage this year.

That is to say, in December, after the hearings that were had by the Fuel Administration and after the organization of the Fuel Administration and after all who had thought they were not given adequate prices had been heard, Dr. Garfield made readjustments in  $3\frac{1}{2}$  per cent of the tonnage—a tonnage which ran around 500,000,000 tons per annum—so that the Federal Trade Commission's figures, prepared and given to the President, were in general within  $3\frac{1}{2}$  per cent of the prices which either were not complained of at all or which Dr. Garfield confirmed, after inquiry, as being just and reasonable.

That statement is in tons. Reduced to dollars, the percentage falls to  $2\frac{1}{2}$  per cent; there was a  $2\frac{1}{2}$  per cent difference. I will find that for you.

Senator NORRIS. I do not know that it is necessary for you to put that in the record; your testimony on that is sufficient.

Commissioner COLVER. Just one more thing I want to read, if I may. Reading from the same document, page 38, from a carefully prepared written statement submitted by Dr. Garfield for the Fuel Administration to the subcommittee of the Senate Committee on Manufacturers, I quote:

The adequate and even liberal prices fixed by President Wilson in his original proclamation determining the price of coal at the mine had the effect of stabilizing the coal-market conditions and give the coal producers the confidence that was necessary to insure their best efforts toward increasing their output.

Reading again from the same document, the report by Dr. Garfield, filed with the subcommittee:

The Fuel Administration in the four months of its existence has made numerous reclassifications in the President's prices of various small mines and fields, but the prices applicable to the large mass of tonnage of the country, as announced by the President, have not been changed.

Page 87:

The President knew, and stated in his announcement of the prices, that the prices were tentative and were made largely on geographical lines rather than by fields.

Senator KENYON. Mr. Colver, what is the use of going into all of that?

Commissioner COLVER. No use at all, unless to dispose of this thing. Here is a flat charge of a reckless, unwarranted "essay" to inject this commission into something that was none of its business, and I am reading from the record to show that there is no excuse for such a statement by this chamber of commerce committee.

Senator KENYON. The only question is whether so much detail is necessary.

Commissioner COLVER. I am quite content, if you are.

Senator NORRIS. Mr. Colver, going back to the packers, in the list that the commission gave of financial institutions that were connected with the packers you give the National City Bank, of New York City. I notice that the National City Bank have a publication that they issue, I think, regularly and sent out for distribution. They take occasion to indulge in some criticism of the Federal Trade Commission in regard to its work.

What connection, if any, has the National City Bank with the packers?

Commissioner COLVER. J. Ogden Armour is a large stockholder and director. The National City Bank on June 30, 1917, had loans outstanding to the big packers as follows: Loaned to Armour & Co., \$3,500,000; loaned to the Armstrong Packing Co.—which is Armour—\$850,000; 90 days acceptance shipments made to foreign countries (Armour & Co.), \$700,000; loans to Wilson & Co. (Inc.), \$400,000; loan to Morris & Co., \$300,000; loan to Cudahy Packing Co., \$15,000; loan to United States Dressed Beef Co., which is Swift, \$200,000; total loans by the National City Bank to the big packers, June 30, 1917, \$6,100,000.

Senator KENYON. Were they one of the "big list" that we heard of the other day?

Commissioner COLVER. Yes; I am reading from a memorandum of the big-list interests.

Senator NORRIS. Referring to that big list, can you give us—that big list was put in the record, I will say, earlier in this investigation?

Commissioner COLVER. Yes; I saw it in the testimony.

Senator NORRIS. Can you give us, or if you are not able to do it now, can you supply us with information showing the connection of the members on that big list with the packers in their loans and other connections?

As to the loans, I think that we can give that substantially here. Starting out with J. P. Morgan & Co. Loans to big packers by banks affiliated with J. P. Morgan & Co. The following banks, which according to the Pujo committee report, were affiliated with J. P. Morgan & Co., had outstanding loans to the big packers on June 30, 1917 (unless I indicate another date in an individual case), in the following amounts: Bankers Trust Co., New York, Pujo committee report, page 57, loan to Wilson & Co. (Inc.), \$500,000; 90 days' acceptances on shipments of merchandise to foreign countries to Armour & Co., \$2,000,000.

The Liberty National Bank, New York, Pujo committee report, page 60, time loan without security to Armour & Co., \$300,000; loan to Cudahy Packing Co., \$100,000; loan to Wilson & Co. (Inc.), \$50,000; loan to T. M. Sinclair & Co. (Ltd.), which is Wilson & Co. (Inc.), \$75,000; loan to United Dressed Beef Co., which is Swift & Co., \$100,000.

The National Bank of Commerce, New York, page 59, time loan, no security, to Armour & Co., \$1,500,000; 90 days' acceptances, shipments of merchandise to foreign countries, to Armour & Co., \$1,000,000; loan to Wilson & Co. (Inc.), \$500,000; loan to Hammond Packing Co., \$410,000; loan to Morris & Co., \$400,000; loan to Cudahy Packing Co., \$200,000; loan to Joseph Stern & Sons (Inc.), Morris, \$125,000; loan to William F. Mosser Co., Morris, \$100,000; loan to T. M. Sinclair & Co. (Ltd.), which is Wilson & Co. (Inc.), \$50,000.

The Chemical National Bank, New York, page 60, time loan, no security, to Armour & Co., \$500,000; time loan, no security, to Armour & Co., \$400,000; loan to Cudahy Packing Co., \$150,000; loan to T. M. Sinclair & Co. (Ltd.), which is Wilson & Co. (Inc.), \$100,000; loan to Wilson & Co. (Inc.), \$600,000; loan to the G. H. Hammond & Co., which is Swift & Co., \$200,000; loan to Wilson Car Lines, which is Wilson & Co. (Inc.), \$21,563.64; loan to Winslow Bros. & Smith Co., which is Armour & Co., \$200,000.

The Illinois Trust & Savings Bank, Chicago, page 69, loaned to Armour & Co., \$1,000,000; loan to Armour & Co., \$500,000; loan to Cudahy Packing Co., \$914,518.30, secured by liberty bonds; loan to Wilson & Co. (Inc.), \$250,000; loan to Libby, McNeill & Libby, which is Swift & Co., \$450,000.

Senator KENYON. As to the Chemical National, how do you connect that up with the "Big List." They were not on the "Big List," were they?

Commissioner COLVER. I will have to find my way through this. I will have that for you in a moment.

Senator RANSDELL. I think they were affiliated with Morgan & Co., according to the Pujo report, were they not?

Commissioner COLVER. That is affiliation of Morgan & Co.

Senator RANSDELL. These you are giving us?

Commissioner COLVER. Those I have given you; yes.

Now, leaving the Morgan & Co. connections, and coming to others of the big list.

Senator NORRIS. Yes.

Commissioner COLVER. The Guaranty Trust Co. on June 30, 1917, had outstanding loans to the big packers as follows: Meat Index, to Armour & Co., time note without security, \$1,000,000; to Armour & Co., 90-day acceptances shipments of merchandise to foreign countries, \$1,000,000; to Wilson & Co. (Inc.), \$500,000; Frigorifico Wilson de la Argentina, South America, £250,000. With Thomas F. Ryan in the Guaranty Trust Co. are the following officers and directors of the Guaranty Trust Co., who are associated with the big packers: Thomas E. Wilson, director Guaranty Trust Co., president of Wilson & Co. (Inc.); Lewis B. Franklin, vice president Guaranty Trust Co., director of Swift & Co.; J. A. Spoor, director Guaranty Trust Co., trustee under the will of Edward Morris, owns \$50,000 stock in Wilson & Co. (Inc.), officer in company operating Chicago stockyards. Thomas F. Ryan is also director in the following companies: Carolina, Clinchfield & Ohio Railway Co.; Clinchfield Coal Corporation, according to the New York directory of directors, 1917-18.

Kuhn, Loeb & Co. loaned to the big packers backed by banking affiliations—the Pujo Committee reports that the following banks are affiliated with Kuhn, Loeb & Co. These banks on June 30, 1917, had loans outstanding to the big packers in the amounts indicated. The reason we speak of Kuhn, Loeb & Co.—and there will not be time, I am sure, to go into it at this time—it will be thoroughly disclosed, I think, when we report to the President, to the Senate, to Congress, upon the formation of the Wilson Co., the changing over from Sulzberger to Wilson—the interest will appear there: Equitable Trust Co., New York, page 78, Pujo report, time loan, no security, to Armour & Co., \$1,000,000; 90 days acceptances for shipments of merchandise to foreign countries, which is to Armour & Co., \$500,000; loan to Frigorifico Wilson de la Argentina, which is Wilson & Co. (Inc.), £250,000. United States Mortgage & Trust Co., New York, page 78, time loan, no security, to Armour & Co., \$600,000; loan to Wilson & Co. (Inc.), \$500,000.

The Pujo report also states that Kuhn, Loeb & Co. has a substantial stock interest in the following banks. The loans of these banks to the packers were as indicated on June 30, 1917: National Park Bank, New York, page 78, of the Pujo committee report, time loan, no security, to Armour & Co., \$1,000,000; loan to Morris & Co., \$400,000; loan to Wilson & Co. (Inc.), \$500,000; loan to Hammond Packing Co., which is Armour & Co., \$190,000.

Bank of the Manhattan Co., New York, page 78, time loan, no security, to Empire Tanning Co., which is Armour & Co., \$670,000; Merchants' National Bank, New York, page 78, time loan, no security, to Armour & Co., \$400,000; loan to T. M. Sinclair & Co. (Ltd.), which is Wilson & Co. (Inc.), \$225,000; loan to Wilson & Co. (Inc.), \$300,000; loan to the G. H. Hammond Co., which is Swift & Co., \$250,000; loan to Hammond Packing Co., which is Armour & Co., \$470,000.

The Union Exchange National Bank, New York, page 78, loan to United Dressed Beef Co., which is Swift & Co., \$75,000; loan to Wilson & Co. (Inc.), \$50,000.

The First National Bank, Chicago, Ill., page 78, time loan, no security, to Armour & Co., \$1,000,000; loan, on liberty bonds, to Cudahy Packing Co., \$1,294,530.94; loan to Morris & Co., \$1,150,000; loan to Pittsburgh Provision & Packing Co., which is Armour & Co., \$50,000; loan to Wilson & Co. (Inc.), \$450,000; loan to Libby, McNeill & Libby, which is Swift & Co., \$200,000; loan to Sherman White & Co., which is Morris & Co., \$72,207; loan to Sherman White & Co., \$60,000; loan, no security, to William F. Mosser & Co., which is Morris & Co., \$100,000; loan, no security, to Cudahy Packing Co., \$1,000,000.

The National City Bank, loans to packers by banking affiliations: The banks and trust companies, which, according to the Pujo Committee report, are affiliated with the National City Bank, had loans outstanding to the big packers on June 30, 1917, as follows: Farmers' Loan & Trust Co., New York, page 72, time loan, no security, to Armour & Co., \$500,000; United States Trust Co., New York, page 73, loan to T. M. Sinclair & Co. (Ltd.), which is Wilson & Co. (Inc.), \$50,000.

Senator NORRIS. Mr. Colver, have you ever totaled that up? What will all those loans amount to?

Commissioner COLVER. I have not totaled them up, Senator; but I will have that done and insert it at this point.

(The total referred to here is \$37,527,351.15.)

Senator KENYON. Do you think those interests in the chamber of commerce were more powerful than the commercial club out in some little town of 10,000 or 15,000 people?

Commissioner COLVER. We are not supposed to think, I believe—something like that. I opine, however, that the figures speak for themselves.

That is only a start on the big list; that is just the financial end of it.

Senator KENYON. Are there more names on the big list that tie up in any way with the packers?

Commissioner COLVER. Yes; there are loans to the packers by institutions in which officers and directors of the United States Chamber of Commerce are officers or directors or stockholders.

Senator NORRIS. Outside of those you have given?

Commissioner COLVER. Oh, yes.

Senator NORRIS. Will you give that to us?

Commissioner COLVER. The following officers and directors of the United States Chamber of Commerce are connected with banks which had outstanding loans to Big Five packing companies as of June 30, 1917, as follows:

W. L. Clause, director United States Chamber of Commerce, director in the People's National Bank of Pittsburgh, of Pittsburgh, Pa.; loan, no security, to Armour & Co., \$200,000; loan to Morris & Co., \$200,000; loan to G. H. Hammond Co., which is Swift & Co., \$50,000; or a total of \$450,000.

James Couzens, a director of the United States Chamber of Commerce, president of the Highland Park State Bank of Detroit: Loan,

no security, to Armour & Co., \$75,000; loan to Cudahy Packing Co., \$50,000; loan, no security, under date of January 1, 1917, to Cudahy Packing Co., \$100,000; loan to Morris & Co., \$25,000, or a total of \$250,000. He is also director in the National Bank of Commerce of Detroit, Mich.; loan to Wilson & Co. (Inc.), \$50,000.

William B. Dean is a member of the Federal trade committee of the United States Chamber of Commerce and director in the First National Bank of St. Paul, Minn.: Loan, no security, to Armour & Co., \$475,000; loan to Cudahy Packing Co., \$500,000; loan, no security, under date of January 1, 1917, to Cudahy Packing Co., \$500,000; loan to Morris & Co., \$300,000; loan to Wilson & Co. (Inc.), \$350,000, or a total of \$2,125,000. (This was corrected at the next meeting of the committee. See p. —.)

Lewis E. Pierson, a director of the United States Chamber of Commerce and chairman of the board of directors in the Irving National Bank, of New York City: Loan, no security, to Armour & Co., \$500,000; loan, no security, to Consolidated Rendering Co., which is Swift, \$15,000; loan to North Packing & Provision Co., which is Swift, \$200,000, four notes of \$50,000 each; loan to North Packing & Provision Co., which is Swift, \$5,000; loan to North Packing & Provision Co., \$3,750; loan to North Packing & Provision Co., \$2,500; loan to Sperry & Barnes Co., which is Swift, \$3,750; loan to Springfield Provision Co., which is Swift, \$10,000; loan to Springfield Provision Co., \$5,000; loan to John P. Squire & Co., which is Swift, \$221,250; loan to White, Pevey & Dexter Co., which is Swift, \$50,000; loan to White, Pevey & Dexter Co., \$2,500; loan to G. H. Hammond Co., which is Swift & Co., \$150,000; loan, no security, to A. C. Lawrence Leather Co., which is Swift & Co., \$225,000; loan to United Dressed Beef Co., which is Swift & Co., \$200,000, or a total of \$1,593,750.

Lewis E. Pierson is also a director in the Broadway Trust Co.: Loan, no security, to Consolidated Rendering Co., which is Swift, \$25,000; loan, no security, to A. C. Lawrence Leather Co., which is Swift & Co., \$50,000; loan, no security, to National Calfskin Co., which is Swift & Co., \$25,000, or a total of \$100,000.

Harry A. Wheeler is president of the Chamber of Commerce of the United States and is also vice president of the Union Trust Co. and the Mercantile Trust & Savings Bank, which are both of Chicago.

Samuel McRoberts is vice president of the Chamber of Commerce of the United States and is also executive manager of the National City Bank of New York City.

That is a hasty, bird's-eye view of the big list.

Senator NORRIS. We will not be able to get through, and I suppose we will be called to the Senate in a few minutes. It is 12 o'clock now.

The CHAIRMAN. If agreeable to Chairman Colver, we will meet at 1 o'clock to-morrow, when we will be glad to have him resume his statement.

(Thereupon, at 12 o'clock m., the subcommittee adjourned to meet to-morrow, Friday, September 27, at 1 o'clock p. m.)

## GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

FRIDAY, SEPTEMBER 27, 1918.

UNITED STATES SENATE,  
SUBCOMMITTEE OF AGRICULTURE AND FORESTRY,  
*Washington, D. C.*

The committee met.

Senator NORRIS (presiding). We will now hear Mr. Goodwin. Please give your full name, business, and address to the reporter.

### STATEMENT OF MR. ELLIOT H. GOODWIN, GENERAL SECRETARY CHAMBER OF COMMERCE OF THE UNITED STATES, WASHINGTON, D. C.

MR. GOODWIN. My name is Elliot H. Goodwin, and I am general secretary of the Chamber of Commerce of the United States, with offices in the Riggs Building, and I am a resident of Washington.

Outside of a statement I have prepared, I have just one thing to say, and that is in relation to Commissioner Colver's quotation from the report of the Industrial Relations Commission which, you will recall, had reference to correspondence between Harry A. Wheeler and John D. Rockefeller. I want to make a part of the record, and call to Commissioner Colver's attention, the fact that Mr. Harry A. Wheeler at that time was not president of the Chamber of Commerce of the United States. Speaking from memory, he held no official position with the Chamber of Commerce of the United States. At his own request, he preferred when he left the presidency to act entirely as a private citizen. It may be at that time we had elected him to an entirely extra-legal position. We have, as our chart shows [pointing to chart of chamber's organization], three honorary vice presidents. They are not provided for in our by-laws; they have no vote. Two of our ex-presidents are honorary vice presidents, and we feel honored in having them sit with us.

Second, that no money was received from John D. Rockefeller or anyone else as a special fund to be used for the extension of the circulation and influence of the Nation's Business.

Senator NORRIS. You mean by that that John D. Rockefeller was not on this so-called "list"?

Mr. GOODWIN. I do not, sir; that is a separate proposition. Yes; he is on the list, and I am going to submit, not "the list," but the whole list of subscribers.

Senator NORRIS. If he is on the so-called "big list," he subscribed, did he not?

Mr. GOODWIN. The so-called "big list" is something I can not recognize. Mr. Walker referred to it. There were, as I recall it, perhaps a dozen names on it.



Senator NORRIS. Yes; more than that.

Commissioner COLVER. Pardon me; it was selected, and it was limited to 100.

Mr. GOODWIN. It was a list, as my memorandum will show, which was one of many lists used in circularizing or soliciting funds that will be covered in what I have to say here.

Senator NORRIS. Might I interrupt you now? The list was given first in evidence here by Mr. Walker, as I remember it. It came about by an interrogation of Senator Kenyon in which he inquired in regard to it. I do not know whether it was put in yesterday or not, but at least at some time the list went in. As I remember it, it was a list inclosed in a letter that Mr. Walker sent out, asking associations and men to join, and he inclosed this list as showing that it was the "big list," and wanted to get them on it. Is not that it? That is the way he characterized it.

Mr. GOODWIN. Sir, I cover the point fully in my prepared statement.

Senator NORRIS. All right.

Mr. GOODWIN. As a result of a hearing on the Thompson resolution, to which were summoned and at which were examined the chairman of our Federal trade committee, Mr. Rush C. Butler, of Chicago, and the secretary of our eastern district office, Mr. Allen Walker, of New York, a sensational and erroneous report of the methods of financing the Chamber of Commerce of the United States and the relation of the chamber to the packing industry has appeared in papers in some parts of the country. Both Mr. Butler and Mr. Walker were asked questions in regard to chamber policies which they were in no position to answer, and, although they protested their ignorance and stated that the general secretary of the chamber was available and would be able to answer fully, he was not called. It is not too much to say that had he been called and examined and permitted to make a full statement in reply to the questions asked of Mr. Walker and Mr. Butler as to which they had no knowledge no such misrepresentation of the chamber in the papers would have been possible.

I submit on behalf of the chamber the following statements, with supporting documents, and ask in all fairness that it be made a part of the record. In regard to it I offer myself as a witness.

My competency as a witness lies in the fact that I am general secretary of the chamber, and have held that position continuously since August 5, 1912.

The original meeting at which the Chamber of Commerce of the United States was created was held in April, 1912.

Submitted herewith are the following documents:

Exhibit A. The by-laws governing the chamber, its board of directors, officers, and committees.

Exhibit B. The chart showing the chamber's organization and activities.

Exhibit C. The most recent printed list of the commercial organizations in its membership—over 1,100 in number. These only are the voting members of the chamber.

Exhibit D. The most recent printed list of its associate and individual members confined to firms, corporations, and individuals who are members of affiliated organizations and have no vote. Associate

members pay \$100 or multiples thereof annually. Individual members pay \$25 annually. At present there are approximately 7,000 individuals and 2,000 associate members.

Exhibit E. The latest printed report of the treasurer—for the year ended December 31, 1917.

Exhibit F. The latest report of the board of directors, submitted at the last annual meeting—in April—covering a year's activities.

Exhibit G. Yearbook for 1917, copy of which was sent to every Member of Congress, describing personnel and methods, including the referendum system.

Exhibit H. A complete list chronologically arranged of all subscribers to the chamber, giving amounts and sources from the date of its inception.

The weight of the charges against the chamber contained in the newspapers, based on the hearing, lies in the inference, if not outright statement, that the chamber was financed largely through the packers directly, or indirectly through their affiliations and interlocking directorates. It is alleged, therefore, that they were in a position to and actually did instigate the recent report of the chamber's Federal trade committee and because of the commission's report and recommendations in relation to the packing industry.

A merely cursory analysis of the entire subscription list (Exhibit H) will show the preposterous nature and utter falsity of this statement or inference. Subscriptions began on May 29, 1912, and 220 subscribers are recorded before we reach the name of the first of the five great packing concerns. This concern (Morris & Co.) contributed \$100. Shortly afterwards Armour and Swift & Co. contributed \$200 each.

The number of subscribers to the capital fund of the chamber is 1,043, and the total subscription is \$495,719.95. During the period 1912 to 1917, inclusive, \$615,773.33 was received in dues from the different forms of membership. The number of the big packing concerns referred to at the hearing is five, and here follow their actual and total subscriptions:

Morris & Co.:		
June 13, 1912.....	\$100	
Feb. 29, 1916.....	1,000	
Jan. 19, 1917.....	1,000	
Jan. 12, 1918.....	1,000	
	<hr/>	\$3,100
Armour & Co.:		
June 19, 1912.....	200	
July 6, 1915.....	1,000	
	<hr/>	1,200
Swift & Co.:		
July 19, 1912.....	200	
Aug. 19, 1915.....	1,000	
Aug. 18, 1916.....	1,000	
Aug. 4, 1917.....	1,000	
	<hr/>	3,200
Cudahy Packing Co.:		
May 26, 1916.....	500	
May 25, 1917.....	500	
May 16, 1918.....	500	
	<hr/>	1,500
Total.....		<hr/> 9,000

Senator NORRIS. Does that include also subsidiary corporations?

Mr. GOODWIN. No; this is their direct contributions.

The fifth great packing house—Wilson & Co.—never subscribed, contenting itself with taking out an individual membership in September, 1916, at \$25 a year. These are the facts and by this contribution—

Senator KENDRICK. If the facts are as indicated by a report by the chairman of the Federal Trade Commission here, it would be unnecessary for them to do that if they were represented by these other firms.

Mr. GOODWIN. I am coming to that, Senator, as far as we are able to answer it, sir. I do not know the affiliations myself.

As I said, these are the facts, and by this contribution of \$9,000 distributed over six years by four firms the Chamber of Commerce of the United States is alleged to have been debauched and its action controlled.

We invite the comparison of fair-minded men between this contribution by the great packers and those of other interests on our list of contributors—financial interests, lumber interests, textile interests, etc. We further call attention to the geographical distribution of contributors through different parts of the country and in different communities.

But apparently the point is sought to be made that the packers, through their affiliations and interlocking directorates, stimulated the contributions by the other interests.

Frankly, we do not know and have never sought to trace—because we never intended to use—the affiliations of the packers. Whatever their ramifications, the list, with its 1,043 subscribers, covering a great variety of interests in different parts of the country, is the complete answer to these absurd allegations.

To those of us actually familiar with the circumstances, this particular allegation of packer interest and packer control partakes of the comic. So far from seeing an opportunity for selfish gain or protection in the national chamber, the packing interests required hard persuasion that they should, as a business interest, share in the burden of the support of the chamber during its period of organization. One of the Big Five never came in. Another would not come in for \$1,000 a year for three years, but cut that amount in half. Armour & Co. came in when the list was started, but subsequently refused to renew their subscription the second year.

But what was this fund—variously referred to as organization fund, capital fund, emergency fund—raised for and how was it spent? The explanation is perfectly simple and businesslike. In 1912, on the invitation of President Taft and Secretary of Commerce and Labor Mr. Nagel, a convention of representative business men, 600 in number, from all parts of the country was called in Washington. Its purpose was to form a national organization through which business could speak nationally, as labor and agriculture speak nationally through their national organizations. President Roosevelt had favored a like attempt through the organization of the National Council of Commerce, which had failed. Local chambers of commerce, springing into influence and great activity in all parts of the country, and separate trade associations made themselves vocal, but the result was a "babel of tongues," because of their number, loca-

tion, and variety of interests. So there was no means of ascertaining in Washington what American business needed or what was its opinion on the economic measures before Congress, and business—large business and small business—is, despite the muckraker, a most important element in the prosperity and well-being of the American people.

That convention decided in its two-day session to father such a useful institution; decided further that it should be a federation of commercial organizations on a broad democratic basis; laid down the fundamentals of its organization and procedure; elected its first board of directors of 25; and adjourned sine die, leaving it to these 25 men to build and finance the new chamber.

Its forerunners, the National Board of Trade and the National Council of Commerce, had not succeeded. There was widespread and outspoken skepticism as to the value of the new attempt. A federation of commercial bodies, small as well as large, meant, necessarily, scant resources from dues. Only the vision and courage of the first boards of directors prevented stillbirth and oblivion to the United States Chamber.

These 25 men immediately decided that in order to offset skepticism and attract support the chamber must function from the start, and on a scale sufficient to catch the interest and imagination of the American business man and his commercial organization. They boldly laid out a budget of \$100,000 for the first year and apportioned it out among themselves to raise. They set the scale of dues so low that even the smallest chamber of commerce could afford to join.

The board, with keen vision, realized that to have a democratic organization support must be democratic, and at the first annual meeting, in 1913, it secured an amendment to the by-laws providing for individual membership, made up of firms, corporations, and individuals who were members in good standing of organizations affiliated with the chamber, and who, in return for annual dues of \$25, should receive information service through a research bureau which was then established.

Thereafter, organized work for memberships and contributions to meet these pioneering expenses went on side by side. The period of organization was reckoned at three years, and funds were solicited on a basis of a fixed sum per year for three years. Solicitation was made by field secretaries working under the guidance of a finance committee. All receipts were placed in a general fund and spent to meet current expenses.

The chamber has never consented to receive money for a special purpose or a special fund except that a recent amendment has provided for a building fund for which, to date, not one cent has been solicited or subscribed. Even in matters in which the chamber had a legitimate interest it has twice refused contributions for a special purpose or to carry on a particular line of inquiry.

In raising the organization or capital fund to meet current expenditures and deficits, many classifications and subscription lists were formulated. The smaller firms were solicited for individual membership, larger ones were on lists arranged locally or by industries, or both, and classified as appropriate in size and resources to be solicited for contributions of \$250, \$500, or \$1,000 a year for three years. Where a firm was not willing to pledge for two years to come the

single contribution was accepted. It was simply scientific and organized money raising, on the same basis that funds are raised for educational and eleemosynary institutions and continuing public purposes. It may well be compared with the money-raising efforts of the Red Cross, Y. M. C. A., and other organizations, and, being properly organized and having a worthy and unselfish object, it was, like these others, successful.

Industries and interests will be found on the list at which certain portions of the public will look askance. That was not and could not be our concern. An illegitimate business interest would be excluded.

Senator KENDRICK. Pardon me, Mr. Goodwin, I would like to ask a question right there. Do I understand from your statement that you are not concerned as to the reputable character of your membership?

Mr. GOODWIN. Yes, sir. I was coming right to that—but a legitimate interest, whether at a particular moment rightly or wrongly conducted by its temporary managers and directors, could not properly be excluded from the membership of or from contributing to a national organization to represent collectively the business interests of the United States.

Senator KENDRICK. Right there, Mr. Goodwin, I would like to ask you another question, if I may. I do not like to interrupt you.

Mr. GOODWIN. I would get through this prepared statement in a minute. Do you mind if I finish it?

Senator KENDRICK. Go ahead.

Mr. GOODWIN. By the end of 1916, the chamber had secured 5,000 individual members, and at the annual meeting in 1917, by amendment to the by-laws, a new class of membership at \$100 a year or multiples thereof—known as associate membership—was established. This, like the individual membership, is a nonvoting membership. The chamber ceased solicitation for contributions. The capital fund had served the purpose for which it was created, i. e., financing operations and deficit during the years of organization. The budget for the chamber for the fiscal year ending June 30, 1919, estimates the remaining payments on capital fund at \$10,000. The chamber is financed out of current revenues from dues and soundly financed; carries a substantial bank balance for current expenditures and has invested a small reserve in United States liberty bonds. It will probably expend over \$500,000 in this year—largely on war work.

These are the facts in regard to financing the chamber. The myth of packer influence is hung on a letter, copy only of which was produced in evidence without the name of the addressee, which presumably was sent by a field secretary of the chamber to a possible contributor who, again presumably, was not a packer. This letter never was and never would have been authorized by a superior officer. It referred to a "big list." We know no "big list," but presume that the list of subscribers at \$1,000 a year for three years was referred to. The slang phrases of the letter were not of our making nor of a character approved by us. We have no reason to believe that the letter led to a contribution. Indeed, if we can correctly identify it, we believe it did not. Assuredly, this is a slender hook upon which to hang a tissue of charges that the chamber had sold out to the packers or any other interest.

The expenditures of money are set forth in the report of the treasurer (Exhibit E). Other reports will be furnished on request. Our books are open to the inspection of any congressional committee or any other responsible body or person who can show a legitimate interest in examining them.

Although a large proportion of total expenditures goes as in all organizations to salaries (the chamber pursues the policy of paying adequate but not extravagant salaries), it should be distinctly understood that no one above the rank of general secretary (the chief executive officer of the chamber) receives or ever has received a salary. For presidents, vice presidents, and members of the board and of committees, the work has been a labor of honor, service, and patriotism. So far as practicable, actual traveling expenses have been met.

The work of the chamber is carried on through committees, bureaus, divisions, and branch offices. All of these, together with a brief statement of their main purposes or functions, are noted on the attached chart (Exhibit B). We estimate the expense of each referendum issued by the chamber at over \$5,000. Committees sometimes prepare reports for referendum, but not by any means necessarily so, and referenda can arise otherwise than through committees. (See by-laws, Article X, Exhibit A.) Committees are the usual agencies through which organizations work and in this organization are appointed to study and report to the board of directors on various lines of government, commercial organization, and business operations. The board is fully authorized to give publicity to a report if it sees fit, but merely as the report of a committee, not as action by the chamber itself. If a report raises important questions, national in scope, the board may order it sent to referendum, so that the members may decide whether or not the recommendations of the committee for which the members of the committee are alone responsible shall become the recommendations and policies of the chamber itself.

The Federal trade committee—one of the chamber's 18 committees—was formed when the Federal Trade Commission was established, to follow and study the action and policies of that body and to confer with it as occasion might arise. The committee has been in existence three years with little change in personnel. It has performed its functions throughout that period; it has met and conferred with that commission as occasion required and its secretary in Washington has between meetings kept the members informed of what the commission was doing.

The report recently issued was issued in regular course. It was a report on the policies and procedure the commission has been following recently as compared with the policies and procedure originally laid down and followed, and was not a report, as alleged, on the report of the commission in the packers' case or any other case. It did not call for referendum, for it raised no question for the membership to decide. Had it advocated—as some mistakenly allege—the abolition of the commission or the removal of the commissioners, it would have to have been sent to referendum. But it was, in fact, a painstaking study merely of procedure and policy of the commission, and as such the board was fully authorized to send it as a report of a committee to the president and subsequently to publish it. No by-law or precedent or rule of propriety of the chamber—nor, so

far as we know, of any organization for public purposes—was violated thereby.

Senator KENDRICK. Mr. Goodwin, how many of the members of your chamber of commerce had actually to do with framing this protest?

Mr. GOODWIN. The Federal trade committee.

Senator KENDRICK. Of how many members, Mr. Goodwin?

Mr. GOODWIN. How many members has it, Mr. Redpath?

Mr. REDPATH. Either 9 or 11.

Mr. GOODWIN. The list, I think, is on file here.

Senator NORRIS. I think it is in the record.

Senator KENDRICK. Did you have anything to do with the preparation of this protest?

Mr. GOODWIN. No, sir.

Senator KENDRICK. Is it your opinion, Mr. Goodwin—

Mr. GOODWIN (interposing). Oh, wait. I will not say that I did not read over drafts. I did. I read over drafts, but, speaking of the preparation of the report, it was not in my hands.

Senator KENDRICK. You say that your chamber of commerce, as I understand your statement, can not interest itself in the reputable character of its membership nor their methods of business.

Mr. GOODWIN. No, sir; I was very far from saying that. We frequently reject organizations and applicants for individual and associate membership who are firms and corporations—by “organizations,” I mean commercial organizations, the only ones who have a vote. We have, as occasion required, passed on them and rejected them and not allowed them to get into our membership. We have dropped some which we have found of a nature that should not originally have been included in our membership.

What I mean, Senator, I trust is plain, that it does not matter whether you or I approve of a certain business. You may be a teetotaler; I may not. If so, our views of the brewing industry are totally different. We can not bring that in, if the brewing industry has a legitimate interest in the United States; our personal opinion does not affect that. I have already said that certain portions of the public would look askance at some of the interests that contribute to our support; that is precisely what I meant.

Senator KENDRICK. If your chamber of commerce had known that these men were guilty of everything as charged, as any other people who violate either the legal or moral statutes of their country, would your organization still have protested against the method of getting information to prove that fact? I want to state to you that I am not a lawyer; I am endeavoring to get an actual expression from a representative of this chamber, because I have a high regard for the membership of your chamber of commerce, and not because I want to invite them, either by inference or otherwise. But I am trying to find out whether that would have had any influence, had they known these men were guilty of those charges.

Mr. GOODWIN. Senator, I am not a lawyer either, and am not trying to conceal anything when I say that I can not answer. I did not make the report. I do not know the personal views of the members of the Federal trade committee, because it is not discussed in our report—the personal views of the members as to the merits of the report of the Federal Trade Commission.

I do want to state that it was the purpose of the committee not to make a report on the report of the commission in the packers' case, and I believed they carried out that purpose. As I stated, they were reviewing the procedure and policy of the commission. They took examples, in their wisdom or in their lack of wisdom, from the record in the packers' case, in the paper matter, and half to a dozen others, to support their thesis or their argument that there had been a change in policy and that that change was unfortunate.

It has come about here and in the press that this report of our committee is referred to as a "report on the report of the Federal Trade Commission in the packers' case." I can not myself see how it can be so construed.

Senator KENDRICK. You will admit, Mr. Goodwin, I believe, in fairness that however that protest might have been intended the result has been to discredit the truthfulness of this Federal Trade Commission report.

Now, I ask you another question—

Mr. GOODWIN (interposing. After a pause). Do you want me to answer that?

Senator KENDRICK. If you please.

Mr. GOODWIN. I was trying to answer it. I do not know and I do not suppose you do, Senator, what effect the publicity on this thing has had. I should think that might very well occur. I do think and I say with all frankness that the way this report has been handled here, as if it was a report on the commission's action in regard to the packers has very largely, led to that effect.

Senator KENDRICK. I ask you now, either as secretary of the chamber of commerce of the United States or as a citizen, whether you would question the means employed to secure evidence of any other violation of the law so long as it resulted in getting the information and resulted in the protection of the public by the punishment of the transgressor?

Mr. GOODWIN. I would, sir. We have an Anglo-Saxon procedure as to how a man is to be found guilty. We are not questioning the truth of the report of the commission. I have never read it. But if anyone is able to show that the procedure was not proper it certainly bears on the case. I do not know. You may be convinced of the truth. I know nothing as to the truth or falsity of that finding, but I do not see how you can get at it except through an investigation the procedure of which can not be open to question. When you have done that you have some norm by which to judge of the value of that report. Do not understand me as reflecting on it; I am answering your question—whether if I was convinced of the truth of the findings I would still be interested and protest on the method by which it came through. I would.

Senator KENDRICK. Do you think your chamber of commerce committee would have issued this strong protest against the methods here employed if they had examined the report made by a committee of this Senate 48 years ago, and noted the parallel methods that they employed as compared with the methods employed by the Federal Trade Commission? Their findings, I will say for your information, were substantially the same as those of this Federal Trade Commission; and I have examined records over the country and here in the Library of Congress without finding a single motive against



either their methods of getting this information or their findings after it was obtained. And that Senate committee was composed of men who had more than ordinarily distinguished service in the United States Senate. I ask you if it is your opinion, merely as such, that if your committee had taken note of this parallel investigation, finding the same results, would have still criticized the methods employed by this Federal Trade Commission?

Mr. GOODWIN. I am unable to answer that, Senator, absolutely. I want to testify here frankly and of what I have knowledge. The report you refer to I did not know was in existence, personally. What effect it would have had on the gentlemen who are members of our committee I am unable to say.

Senator KENDRICK. I ask you one more question, as it appeals to me strongly: Would not sober judgment on the part of the great body of American citizens have suggested discretion in criticizing the officials of the Government in a service that must necessarily be unpleasant, and that must necessarily have taken any amount of courage to have performed? Should not, in your judgment, a representative group of American citizens hesitate before taking that extreme step?

Mr. GOODWIN. I think they did, sir.

Senator KENDRICK. They seemed, from the promptness with which they published that protest, to have been rather expeditious, to say the least.

Mr. GOODWIN. Have you overlooked the fact that I stated in my prepared statement the fact that they had been following the policy of the commission for three years, and that before this report was made they, following the precedents of the past, went and had a conference with the commission?

Senator KENDRICK. Well, I have overlooked that. I had not noted that in any of the records. But, in view of your questions, I ask if you would mind stating briefly specific instances of the violation of any reasonable method of procedure in securing this information?

Mr. GOODWIN. No; I would have to put that up to the members of the committee, sir. I am not familiar—I am the general executive here—with the evidence on which this report was based; but I have thought that there was a specific reference in the margin to some official document or unofficial document for every statement therein contained.

Senator NORRIS. Mr. Goodwin, you have just told Senator Kendrick that you have never read this report of the Federal Trade Commission?

Mr. GOODWIN. Yes, sir.

Senator NORRIS. And you have also told him that you were not familiar even with the protests or procedure by which they reached their conclusions?

Mr. GOODWIN. Yes, sir.

Senator NORRIS. I assume, therefore, that so far as you are concerned, you have no opinion based upon any evidence that you have observed here as to the findings of the Federal Trade Commission or as to its methods of procedure; is that right?

Mr. GOODWIN. Only what I gather secondhand on the latter point from our own report and my knowledge of the men who make it. I have known them firsthand.

Senator NORRIS. That was excluded, I think, from my question. I intended to exclude that. You base your opinion, then, on the procedure of the commission entirely upon the judgment of the Federal trade committee of the Chamber of Commerce of the United States. Is that right?

Mr. GOODWIN. If you will make that "mainly" I will say yes. I mean that I am familiar with the reports going through my office. We send out a bulletin weekly. There is scarcely a bulletin that goes out that has not some reference to work of the Federal Trade Commission. I would not say that what I see daily or weekly in that way passing through my office has no influence on my opinion. I think there is one of our men connected with the Research Bureau who visits that commission nearly every day.

Senator NORRIS. That may be. I am getting your opinion, is all.

Then, this would be true, would it not—that your opinion, whatever it may be, even as to the procedure of the commission, is formed entirely from the opinion of others who are unfriendly to the commission?

Mr. GOODWIN. No; I would not say that.

Senator NORRIS. Can you tell me anybody who is friendly?

Mr. GOODWIN. What do you mean by "friendly"? Do you mean friendly to the personnel or friendly to the policy?

Senator NORRIS. I have no reference to the personnel.

Mr. GOODWIN. Certainly these men have reflected on the policy, and I have gained my opinion from them.

Senator NORRIS. All I am trying to get is the facts. I did not mean you have any personal enmity or that any of these gentlemen have to any members of the commission. It would have been beyond the province of that committee to have recommended to the President or to Congress the dissolution of the Federal Trade Commission or its abolition, would it not?

Mr. GOODWIN. No more so than what they did do. You mean under the by-laws of the chamber?

Senator NORRIS. Yes.

Mr. GOODWIN. Certainly.

Senator NORRIS. I understood that from your statement which you have made to us.

Mr. GOODWIN. Yes, sir.

Senator NORRIS. You have heard the testimony of the man who is chairman of your Federal trade committee, Mr. Butler, and also one of your field agents, Mr. Walker, and also the president of your chamber here?

Mr. GOODWIN. I heard some; I was not present all the time.

Senator NORRIS. Did you hear Mr. Butler say expressly that he thought the commission ought to be abolished, or words to that effect?

Mr. GOODWIN. No; I did not.

Senator NORRIS. I may be mistaken, but I think that was his testimony. Did you hear all of his testimony?

Mr. GOODWIN. No; I did not.

Senator NORRIS. I think it could be fairly inferred from what he said that in his judgment it ought to be abolished.

Mr. GOODWIN. The record will show that.

Senator NORRIS. Yes; the record will show whether that is true or not.

You, in your prepared statement that you have just made to us, have been laboring, I think, under the impression that it is the opinion of this committee, or that this committee is going on the theory, that the chamber of commerce ought to be abolished.

Mr. GOODWIN. No, sir.

Senator NORRIS. I rather gathered that from what you said. I do not think there is anybody on the committee who even claims that there is not a very useful work for the chamber of commerce or who has any enmity against it. But we find it here criticizing one of the bureaus of the Government provided for by national law and approved by the President in making an investigation that everybody will admit was within its scope, making it under instructions from the President of the United States, and the committee—or at least the chairman of the committee himself—admits, and no other member of the chamber of commerce has denied it or has made any statement different from him, that he has no evidence upon which to base an opinion that the findings of this commission are untrue. That is admitted, I think, all the way through by the chamber of commerce, by its officers, and at least that report is not denied even by the report of the committee. Is not that true?

Mr. GOODWIN. I think so.

Senator NORRIS. When we find an organization of national scope like this condemning a commission existing under Federal law and acting under authority of the President of the United States, because of its procedure, and without even intimating that its findings in that case are untrue, and when we find that those findings are of the most astounding nature and affecting the cost of living of every citizen of the United States, do you wonder that we would naturally feel that this chamber of commerce, while it might have many legitimate purposes, for instance, was rather beyond its scope in taking that kind of a stand against one of our governmental institutions.

Mr. GOODWIN. Well, Senator, your question is, Do I wonder? My answer is, I do wonder.

"Do you wonder?" You ask me if I wonder at the attitude you have taken. Frankly, I do.

Senator KENDRICK. I am concerned to get this for my own information. Now, Mr. Goodwin, representing the representative business men of the Nation, do you believe that it is entirely consistent for your organization to denounce, as we may well say, and protest against the action of this governmental authority without questioning in any way the methods of their membership? Is not their responsibility twofold in that case? Is it not up to them to clean house at the same time when they protest against the means employed here in finding this information? Is it not for them to find out what kind of methods their membership employs in order to keep up the standard of your organization?

Mr. GOODWIN. If I understand you right, Senator, it would be distinctly up to us if anything has been alleged in connection with this hearing that reflects upon the character of any of our members—alleges illegitimate methods pursued by them. That is something which, in my opinion, the chamber of commerce should take up.

Senator NORRIS. In your testimony that you read to us you used this language, after giving the contributions made to this emergency fund by various packers, and sum it up this way:

These are the facts, and by this contribution of \$9,000 distributed over six years by four firms, the Chamber of Commerce of the United States is alleged to have been debauched and its actions sold.

Do you not know, Mr. Goodwin, that you have not any authority, from anything that has occurred here, to base that kind of an assumption on?

MR. GOODWIN. I did not say alleged by you, Senator. My statement starts with the statement of newspaper articles appearing in certain papers in certain parts of the country.

SENATOR NORRIS. It is not fair—and I take it that you want to be fair—that this contribution of \$9,000 is not the only thing—that is only one of the great many—that have been testified to here before this committee.

MR. GOODWIN. What do you refer to, Senator?

SENATOR NORRIS. You were referring in your testimony to the \$9,000 that was contributed by these four packing firms. You have heard the testimony of Mr. Colver when he went into the ramifications of the financial connections of the packers and that many of those made contributions in addition to this \$9,000. Thousands of dollars were contributed by subsidiary corporations and members and individuals who were interested in various subsidiary corporations. So that the \$9,000 contributed directly by the packers to the chamber of commerce does not in reality constitute all the money that was contributed by the packing interests.

MR. GOODWIN. To my mind it does, Senator. All the rest I absolutely repudiate.

SENATOR NORRIS. You did not repudiate the money when it was paid.

MR. GOODWIN. I absolutely repudiate any inference or statement that this business went from the packers to all these banking institutions which have been mentioned here, and that that stimulated their contributions. I know the contrary.

SENATOR NORRIS. Do you think that that might have stimulated this Federal trade committee somewhat in making this criticism of the Federal Trade Commission—any of these financial connections?

MR. GOODWIN. No, sir.

SENATOR NORRIS. Any of these banking institutions?

MR. GOODWIN. No, sir.

SENATOR NORRIS. Do you suppose that had anything to do with the telegram that was sent to the President of the United States from the bankers of Detroit?

MR. GOODWIN. No, sir.

SENATOR NORRIS. In another place in your testimony you referred to a letter that was introduced in evidence here which you say was not signed and that the name of the person receiving the letter was not given. Of course, you understand, I presume, why the name of the person receiving the letter was not given?

MR. GOODWIN. No; I do not, Senator. I would like to understand why the name of the person receiving the letter was not given?

SENATOR NORRIS. The reason given by the person who sent the letter in was that he did not care to have his name used, for fear he might be injured in business. I would not have stated that without your answer. He may have been entirely wrong about it; I do not say that he was not. But that was the reason given. At least, the man who represented the chamber of commerce admitted on the stand that he wrote a good many letters like that, did he not?

Mr. GOODWIN. He did not deny that particular letter, nor do I. The best proof of its authenticity is that it had connected with it a list of some of our subscribers.

Senator NORRIS. If it is not denied, why in your testimony do you criticise it as not being properly authenticated when offered in evidence?

Mr. GOODWIN. I did not mean to criticise it as not being properly authenticated; I meant to describe it exactly as it stood in evidence.

Senator NORRIS. It has the same effect as a matter of evidence as though the name was attached to it and the person to whom it was directed was printed, if it is admitted by the man or the men who sent it that it was actually written.

Mr. GOODWIN. The trouble there is, Senator, that while we have no reason to believe that it is not a letter sent by Mr. Allan Walker, an actual letter sent by him without any signature attached and without an addressee, we are not in a position to identify it in the same way as if it had those.

Senator NORRIS. No; but you would not have listened to Mr. Walker's testimony without being convinced that he did not send the letter, because he did not deny it.

Mr. GOODWIN. Personally, I think he sent the letter and nobody is contesting that. But if you could show by the letter who the addressee was, we could tell you right straight off just who it was.

Senator NORRIS. Mr. Allan Walker, when he sent the letter, was acting properly under the authority of the chamber, was he not? He was authorized to solicit subscriptions?

Mr. GOODWIN. Yes.

Senator NORRIS. I do not mean to say that was the particular form of the letter—

Mr. GOODWIN (interposing). The form of the solicitation—I should have to question his authority there sharply. I certainly, as a superior of Mr. Allan Walker, if I had seen that letter, would never have permitted it to go out.

Senator NORRIS. I am inclined to believe that, Mr. Goodwin.

Mr. GOODWIN. That is not hindsight.

Senator NORRIS. No; that would have been foresight, all right. If you had not sent it out. But the fact of the methods used by him never resulted in the returning of any of the funds that were received by those methods.

Mr. GOODWIN. Do you say that, Senator? I have an actual instance in mind where a telegram of a field secretary—

Senator NORRIS. No; I am asking about Mr. Walker.

Mr. GOODWIN (continuing). Sending out a form of telegram pressing solicitation came into my hands and immediately I sent word to the man. He had come with a check. I repudiated that form of telegram, and that money was his.

Senator NORRIS. That is good, but that is not an answer to my question. You did not refund the money when you found out these slang phrases?

Mr. GOODWIN. I never found it out, as a matter of fact.

Senator NORRIS. Until it came out here?

Mr. GOODWIN. Yes.

Senator NORRIS. It is not too late yet.

Mr. GOODWIN. If you will help me to the name of the addressee—for, as a matter of fact, if I know who he was, he never contributed a red cent.

Senator NORRIS. The facts are that the addressee never contributed.

Mr. GOODWIN. They are?

Senator NORRIS. I do not know. I presume so. But there were a great many men who did contribute, whose names you have.

Mr. GOODWIN. Not in response to letters of that kind, so far as I have knowledge, Senator.

Senator NORRIS. He sent out a great many of those letters, did he not?

Mr. GOODWIN. Not to my knowledge.

Senator NORRIS. He said he did.

Mr. GOODWIN. An ordinary person reading the letter, Senator, prior to my testimony, would suppose that that was an ordinary form of letter; that it had been sent to a packer and that the packers had contributed in response to that kind of letter. All that is contrary to the facts.

Senator NORRIS. All I know, of course, Mr. Goodwin, is Mr. Walker's testimony. He practically admitted the sending of the letter, not because his signature was attached to that particular letter, but because, as I remember the testimony, it was the kind of a letter he had been sending out, and I presume he had got lots of responses and lots of money.

Mr. GOODWIN. I do not know whether your presumption is right.

Senator NORRIS. It may be wrong.

Mr. GOODWIN. I know that the solicitation of the people you have particular reference to in Chicago was not in Mr. Walker's hands. We have a large number of field secretaries to-day who are raising money by the method of securing new memberships right straight along.

Senator NORRIS. I do not have any knowledge that Mr. Walker ever sent that letter to a packer. He did not say he did. But I took it from his testimony that he sent it to a great many people. He is sill with the chamber of commerce, is he not?

Mr. GOODWIN. Yes, sir.

Senator NORRIS. And I presume that his work was successful, and that the chamber of commerce got the benefit of it?

Mr. GOODWIN. His work mainly, Senator, was in New York City, and surrounding territory.

Senator NORRIS. Maybe that accounts for the slang phrases he used, and so forth.

Mr. GOODWIN. Personally, I am unable to account for it. They are phrases I would not stand for for an instant.

Senator NORRIS. Are you secretary of the board of directors of the chamber of commerce?

Mr. GOODWIN. Yes, sir.

Senator NORRIS. Were you present when this report from the chamber of commerce made by the Federal Trade Committee was sent to the President?

Mr. GOODWIN. Why, yes; I am present at all meetings.

Senator NORRIS. Have you got the minutes of that meeting?

Mr. GOODWIN. We have them.

Senator NORRIS. Can you produce them for us?

Mr. GOODWIN (to Mr. Redpath). Have you got the minutes of those meetings?

Senator NORRIS (interposing). Have you got them here?

Mr. GOODWIN. I sent for the minutes recently on this matter of the testimony of the Industrial Commission, and we may have them here by that chance.

Senator NORRIS. You were secretary of this Federal Trade Committee?

Mr. GOODWIN. No, sir.

Senator NORRIS. You were not?

Mr. GOODWIN. No, sir; and never have been.

Senator NORRIS. That is entirely different from the board of directors?

Mr. GOODWIN. Oh, yes; that is one of the committees.

Senator NORRIS. Do you know how many members of this Federal Trade Committee considered this report before it was made?

Mr. GOODWIN. No, sir.

Senator NORRIS. Do you have any correspondence in your possession in reference to the report of the Federal Trade Committee of the chamber of commerce on the Federal Trade Commission report?

Mr. GOODWIN. I presume there is a good deal of correspondence.

Senator NORRIS. Will you submit that correspondence to the committee for examination?

Mr. GOODWIN. If you will get it defined. Here is a committee acting with and upon the Federal Trade Commission through three years. There has been a great deal of correspondence and a great many reports.

Senator NORRIS. Will you submit to the committee all the correspondence you have in reference to the report made by this Federal Trade Committee of the chamber of commerce?

Mr. GOODWIN. I do not see why we should not, Senator. I will ask my board at the meeting here on Tuesday.

Senator NORRIS. Will you permit the committee to examine all of the correspondence that you have had with your various members in reference to the Federal Trade Commission that was criticised by this report?

Mr. GOODWIN. May I submit that to my board? These are questions as to records of the chamber and which I do not feel I should take sole responsibility for.

Senator NORRIS. I presume we would have authority to get them by taking the proper steps, but I do not know. I would not want to say, without consulting other members of the committee, whether we would care enough about it to do that.

Mr. GOODWIN. Our general attitude, Senator, would be that anything in our office is open to your inspection.

Senator NORRIS. Some one testified here, I think, on this hearing that you only received one editorial criticism for comment on this report of your Federal Trade Committee about the Federal Trade Commission's report. Did you hear that testimony?

Mr. GOODWIN. I can not verify that.

Senator NORRIS. Do you know what the facts are in regard to that?

Mr. GOODWIN. The editorial comment on our report?

Senator NORRIS. Well, your newspaper clippings. Is it true that you only received one unfavorable newspaper clipping?

Mr. GOODWIN. I really am unable to answer, Senator. Clipping bureaus—and particularly now—are very slow in transmission. We do not feel even to-day that we have got—

Senator NORRIS (interposing). I do not presume you have got them all in. Do you get anything like extensive clippings through clipping bureaus that you are subscribers to?

Mr. GOODWIN. Yes; we are subscribers to a clipping bureau, and we have tried to find the best and most extensive one—they are all faulty.

Senator NORRIS. Did you get any clippings unfavorable yourself?

Mr. GOODWIN. Why, yes.

Senator NORRIS. Did you get a good many?

Mr. GOODWIN. No. The articles that I particularly had reference to were published in the Kansas City Times and some paper in Fargo, N. Dak.

Senator NORRIS. Did you get such a clipping from a Sioux City, Iowa, paper?

Mr. GOODWIN. I have heard of that. I personally have not seen it, I think.

Senator NORRIS. Can you produce the correspondence, if any, that you or any member or official of the chamber of commerce has had in regard to this Sioux City clipping?

Mr. GOODWIN. Well, so far as I know, there is none.

Senator NORRIS. You do not know of any?

Mr. GOODWIN. I know of none. I would be glad if I did know what you had in mind in order to hunt for it.

Senator NORRIS. Let me ask you another question: Have any of your members withdrawn from membership recently?

Mr. GOODWIN. Yes; we have an annual-loss rate of 6.44 per cent through death, resignation, and arrears of dues.

Senator NORRIS. Let me ask you whether the Southern Wholesale Grocers' Association withdrew from the chamber of commerce because of the attitude the chamber of commerce had taken—or its committee—on this report of the Federal Trade Commission?

Mr. GOODWIN. The first suggestion of the withdrawal—the first suggestion of that being the motive of it—has come from your lips.

Senator NORRIS. From mine?

Mr. GOODWIN. Yes.

Senator NORRIS. Have you got some correspondence in regard to that?

Mr. GOODWIN. Yes; I have a letter from the president handing in the resignation of that association.

Senator NORRIS. And he did not give any reason?

Mr. GOODWIN. No.

Senator NORRIS. Now, in conclusion, Mr. Goodwin—you have gone over this somewhat, but I want to sum it up. This Federal Trade Commission made several findings. As I understand you, you have never even read their report.

Mr. GOODWIN. No, sir.

Senator NORRIS. You do not know whether their findings were true or false.

Mr. GOODWIN. I do not see how anyone does, Senator.

Senator NORRIS. One of their findings is as follows, on page 4 of the report:

The producer of live stock is at the mercy of these companies because they control the market and the marketing facilities and, to some extent, the rolling stock which transports the product to the market.



You would not pretend to say, would you, Mr. Goodwin, that that was not true?

MR. GOODWIN. I would not pretend to say in regard to it, Senator. Senator NORRIS. They make this further finding on the same page:

The consumer of meat products is at the mercy of these five because both producer and competitor are helpless to bring relief.

Now, you would not pretend to say that that was not true?

MR. GOODWIN. Again, I would not pretend to say anything.

Senator NORRIS. Assuming that those two findings are true, would it not follow that, at least, the subject matter under investigation by the Federal Trade Commission was of tremendous importance and one in which every citizen of the United States had an interest?

MR. GOODWIN. I think that is correct.

Senator NORRIS. Now, your chamber of commerce, admitted though it may be by everybody that there are many useful things it can do, has never made enough of an investigation to find out whether those findings or any other findings of the commission are true or false, and yet has issued this report and given it the widest circulation, criticizing the commission, without ever taking any pains to find out whether the conclusion reached by the commission was true or false? Is not that true?

MR. GOODWIN. Yes, sir. Also I want to add, in fairness, that we had no means of finding that out, and that it is not a report on the commission's report on the meat industry. The latter is referred to three times, to furnish examples of what our committee alleges, on its own responsibility, is a change of policy and questionable procedure.

Senator NORRIS. Well, Mr. Goodwin, it seems to me, with all due respect to your organization, that before its condemns a legally constituted body of the Government it ought to be able to state to the people who are directly interested in their work that something they had done officially is wrong or some finding they have made or judgment they have rendered is erroneous. None of those things is even claimed—

MR. GOODWIN (interposing). Now, Senator, do you mean that?

Senator NORRIS (continuing). And yet the officials of the chamber of commerce, some of the officials at least, are advocating the abolishment of this commission.

MR. GOODWIN. I do not know of a single official that does.

Senator NORRIS. I think that can be fairly stated from Mr. Butler's testimony here.

MR. GOODWIN. I think not, sir.

Senator NORRIS. Then if I am wrong I base my question on a false assumption.

MR. GOODWIN. In the matter of the Federal Trade Commission we took an extraordinary interest. We supported the bill creating it. We took a referendum throughout the country and had an affirmative vote in favor of its creation, and we took the rather extraordinary but not unprecedented action of putting together a committee to work with and follow the work of that commission.

Senator NORRIS. Well, now, you think that because that commission has not used language that you think ought to be used or followed, a procedure that you think is proper, it ought to be abolished even though it reaches a conclusion that is just?

Mr. GOODWIN. No; personally I have no thought at all that it ought to be abolished.

Senator NORRIS. I understand that as far as you are individually concerned your opinion comes from the judgment of other members?

Mr. GOODWIN. Remember we are all bound by the fact that the chamber, through its membership, is on record, never contradicted by any subsequent vote, in favor of the commission. That is what binds us—the referendum vote.

Senator NORRIS. The membership of the chamber have all received the report of this committee, I presume, and you sent every newspaper in the United States a copy?

Mr. GOODWIN. That is something I can not answer. I will answer it in this way, that we gave it the widest publicity we knew how. I will also say that when we inform our members of action taken we send out in some circular form approximately 15,000 copies, and that means, of course, that it can not be confidentially treated. Therefore in all such cases we make it a point to give out a correct statement from headquarters.

Senator NORRIS. You have heard that paragraph on page 7 read several times. I want to ask your opinion in regard to the proper construction to be given that paragraph. Do you not believe that practically the only construction that could be given to it—or that a fair construction would be given to the effect that the Federal Trade Commission had recommended to the President that the Government take over the packing plants?

Mr. GOODWIN. Senator, I shall have to decline to answer that. The quotation has now been identified by Commissioner Colver as a statement made by the commission in the profiteering report. It was correctly quoted; I believe that is admitted. It speaks the fact.

Senator NORRIS. I did not have reference particularly to the quoted part of that paragraph. While, I confess, it is not clear as to what this committee did mean, it seems to me that, reading the whole thing together, both the quoted part and the other, a reader would probably draw the conclusion, if he drew any conclusion, that the Federal Trade Commission had recommended the taking over of the packing plants, which you know, and all of us know, was not the fact. I am led somewhat to believe that that paragraph had that effect, because so many hundreds of newspapers all over the country got the information somewhere, and most of them believed that they had made that kind of recommendation.

Mr. GOODWIN. On that last point, Senator, I think Commissioner Colver and I would agree that that impression was extremely widespread due to publicity by someone prior to the publication of our report in any way.

Senator NORRIS. It is agreed by all of us, is it not, that the idea is erroneous?

Mr. GOODWIN. It certainly is erroneous that the commission's report recommended the taking over of the packing plants.

Senator NORRIS. Yes. In other words, they did not recommend anything of that kind. Now, a man who had never read the report—and most of the people could not get it and read it if they wanted to—and who would read what your committee put out, it seems to me, would draw the conclusion that the Federal Trade Commission did recommend that the Government take over the packing plants.

Mr. GOODWIN. I have no quarrel, Senator, with your reaching that conclusion. But as to the intent of the committee in making that statement I shall have to refer you to the committee. I have no knowledge of it.

Senator NORRIS. Whatever their intent was their language is there, even if they did not intend it. It might be innocent, of course, and still have that same effect.

Mr. GOODWIN. Yes.

Senator NORRIS. You have no idea, I suppose, that your Federal trade committee was influenced to make this report because of the fact that their own members were investigated?

Mr. GOODWIN. No, Senator; I have no such idea. If I show any heat in this hearing it is due to such insinuations.

Senator NORRIS. Do you think they would have made the protest just the same in case, we will say, that the packers had not been a part of the chamber of commerce?

Mr. GOODWIN. As far as my personal opinion goes; yes.

Senator NORRIS. Mr. Goodwin, I do not know whether I brought it out, but, for fear I did not, I will ask you now: Did you write a letter to this Sioux City paper about its criticism of the Federal Trade Commission's report?

Mr. GOODWIN. I do not know anything about the Sioux City paper statement. If I could identify that I would be in a position to say whether I wrote, but I very seldom answer or question a statement appearing in the newspapers. I have something else and better to do.

Would you permit Mr. Redpath, the chief of our research bureau, to reply to that question? He knows something about it, and I do not.

Senator NORRIS. Well, you can get your information from him if you want to.

Mr. GOODWIN. I do not get it exactly, but he can make a statement.

Mr. REDPATH. The circumstance of the only editorial which, I believe, has come into the office and come to Mr. Goodwin's attention is this—I would know about it, because he would refer the letter to me. In this particular instance he did refer a letter to me with an editorial attached. The letter was from one of our individual members in Sioux City, inclosing an editorial which he said was from his local paper. This editorial was clipped out in such a way that the name of the local paper did not appear. He asked about the report of our committee—which, obviously, he had not received—and about the accuracy of this editorial. I do not believe there is anything in our office to show the name of the paper yet.

Senator NORRIS. Did you answer that?

Mr. REDPATH. We answered our individual member.

Senator NORRIS. You did not write the paper?

Mr. REDPATH. No; we do not know the name of the paper yet. If the same thing comes along through a clipping bureau, we shall probably see the name of the paper.

Senator NORRIS. Have you the copy he sent?

Mr. REDPATH. I think it is in the office.

Senator NORRIS. If we want some of these matters, we may ask for them.

Mr. GOODWIN. I do not recall the letter myself.

(Thereupon, at 2.15 o'clock p. m., the subcommittee adjourned.)

## GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

SATURDAY, SEPTEMBER 28, 1918.

UNITED STATES SENATE,  
SUBCOMMITTEE ON AGRICULTURE AND FORESTRY,  
*Washington, D. C.*

The subcommittee met at 10.30 o'clock a. m., Hon. George W. Norris presiding.

Present: Senators Norris (acting chairman), Kendrick, and Gronna.

### STATEMENT OF HON. WILLIAM B. COLVER—Resumed.

Commissioner COLVER. Senator Norris, the record on page 252 of the stenographer's manuscript as it has been transcribed up to now reads:

Senator NORRIS. Mr. Colver, have you ever totaled that up? What will all those loans amount to?

Commissioner COLVER. I have never totaled them up, Senator, but I will have that done and insert it at this point.

Then the stenographer has put in parentheses:

The total referred to here is as follows.

This total covers the loans cited from page 247 of the record to page 252, and also the loans to the packers by the Union Trust Co., of Chicago, and the National City Bank, of New York, cited on page 235 to page 245. The total is \$37,527,351.15.

The total does not include the loans that were cited on pages 253 and 254 of the manuscript record, because they do not belong to this same list.

I also said that W. B. Dean, a member of the Federal trade committee of the chamber of commerce, was also a director of the First National Bank in St. Paul. This is not correct. W. B. Dean is a director of the First National Bank in St. Paul, but is not connected in any way, so far as I know, with the chamber of commerce. His son, W. J. Dean, is not an officer of the bank, but is a member of the Federal trade committee of the chamber of commerce. W. J. Dean and his father, W. B. Dean, are interested together in the wholesale house of Nichols, Dean & Gregg, of St. Paul.

The loans of the Chase National Bank to the various big packing companies, as of June 30, 1917, except as otherwise stated, are as follows: Loan, no security, Armour & Co., \$1,000,000; loan to Cudahy Packing Co., \$100,000; loan to Wilson & Co. (Inc.), \$925,000; loan to J. K. Mosser Co. (Armour & Co.), \$145,000; loan, January 1, 1917, to Cudahy Packing Co., \$200,000.

The Chase National Bank was brought in on your question, Senator Norris, by reason of the fact that somewhere in the record, in the testimony of some preceding witness, it had been said that the

Chase National Bank was a New York correspondent of the Union Trust Co. of Chicago. It was not brought in by me. You asked, however, as I remember, that we give the loans of the Chase National, which I have just done, and to inform you if there was any other connection or any other facts at our disposal bearing on the Chase National Bank in this connection.

July 29, 1915, a voting trust agreement was made by which all the common stock of Sulzberger & Sons Co. was turned over to the following trustees: A. Barton Hepburn, chairman of board of directors of the Chase National Bank; Charles F. Sabin, president of Guaranty Trust Co. of New York; Harry Bronner, of Hallgarten & Co.; Max Sulzberger, and Germon F. Sulzberger, representing the Sulzberger interests.

On the same date the following new board of directors were elected for the Sulzberger & Sons Co.; Edward R. Tinker, jr., vice president Chase National Bank; William C. Potter, vice president Guaranty Trust Co. of New York; Elisha Walker, of William Salomon & Co.; Harry Bronner, of Hallgarten & Co.; Germon F. Sulzberger, Max J. Sulzberger, and Nathan Grabenheimer, representing the Sulzberger interests.

The establishment of this board of voting trustees to vote the stock for Sulzberger & Sons Co. and the election of the new board of directors was done in compliance with the firm contract which the Sulzberger & Sons Co. on June 22, 1915, signed with the Chase National Bank, the Guaranty Trust Co. of New York, Hallgarten & Co., and William Salomon & Co. In this contract the above-named banking firms agreed to purchase \$9,000,000 of the bonds of Sulzberger & Sons Co. on or before May 15, 1916, to refund the \$8,100,000 outstanding bonds of the Sulzberger & Sons Co., which were to mature on June 1, 1916. The contract gave the bankers an option to purchase \$20,000,000 of the bonds of the Sulzberger & Sons Co. if they should elect to carry out this larger transaction.

As a condition in the acceptance of the above described contract, the makers required Max J. Sulzberger and Germon F. Sulzberger to agree to sell to the banks 50,000 shares of the common stock of the Sulzberger & Sons Co. for \$250,000—50,000 shares at \$5 per share and 16,665 additional shares for \$100,000 in case the bankers purchased the \$20,000,000 worth of bonds. The bankers were to participate in the liabilities and profits of this contract as follows: Chase National Bank, 20 per cent; Guaranty Trust Co., 20 per cent; Kuhn, Loeb & Co., 20 per cent; Hallgarten & Co., 20 per cent; William Salomon & Co., 20 per cent; Hallgarten acting for Kuhn, Loeb & Co.

After the agreement of June 22, 1915, the above-named bankers did not buy the \$9,000,000 of the bonds of the Sulzberger & Sons Co. On the other hand, they, in conjunction with the Continental & Commercial Trust & Savings Bank (an Armour bank) and the Illinois Trust & Savings Bank (a Swift bank) of Chicago, required Germon F. Sulzberger and Max Sulzberger on March 11, 1916, to sign an agreement whereby the Sulzberger family agreed to sell to the bankers \$10,775,000, par value, common stock of Sulzberger & Sons Co. for \$601,500, and in addition to give, without consideration, to Thomas E. Wilson, newly elected president of the Sulzberger & Sons Co., \$750,000 worth of stock, and in addition to sell to Wilson

\$475,000 worth of stock at \$10 per share. The Sulzberger family turned over \$12,000,000 of the common stock of Sulzberger & Sons Co. (which was 60 per cent of the entire stock) for the sum of \$649,000, or \$5.40<sup>2</sup>/<sub>10</sub> per share.

Neither Kuhn, Loeb & Co., Chase National Bank, Continental & Commercial Savings & Trust Bank, nor the Illinois Trust & Savings Bank appeared publicly in this stock transaction. However, the commission is in possession of evidence which tends to show that each of them had a part in the deal.

Senator NORRIS. Who are Sulzberger & Sons Co.?

Commissioner COLVER. Sulzberger & Sons Co. is the new Wilson company—the predecessor of Wilson & Co.

Senator NORRIS. That is one of the “big five”?

Commissioner COLVER. Yes. That covered, I think, about what you wanted as to the Chase National Bank?

Senator NORRIS. Yes; that is the evidence I wanted to bring out by the question I asked you the other day.

Now, Mr. Colver, I think it has been fairly well explained by witnesses that have preceded you, but since you have had so much to say and have cited so many figures in regard to the so-called “big list,” I think it ought to appear in connection with your testimony just what you understand the “big list” to be. What is this “big list,” and how did this so-called “big list” attract the attention, if it did, of the Federal Trade Commission?

First, what is it?

Commissioner COLVER. It is best described, I think, by the officers of the chamber themselves. I have read the record now a little more carefully than I had when I was here Thursday. In the letter signed by Allen Walker, for the executive committee, on the letter-head of the Chamber of Commerce of the United States of America, Washington, D. C., dated “Office of the Eastern District, Woolworth Building, New York, October, 1915,” an invitation is extended to become a member of the “big list.” The words “big list” are in quotation marks.

Senator NORRIS. That letter you have reference to was signed by Mr. Walker?

Commissioner COLVER. Yes. It is in the record.

Senator NORRIS. He was representing the chamber in writing that letter?

Commissioner COLVER. Yes; he signs it “For the executive committee,” and dates it “New York,” writes it from the New York office, and invites the addressee of the letter to become a member of the “big list”—I quote from the letter—“with the other corporations who have agreed to subscribe \$1,000 a year for three years to the chamber of commerce.”

He says:

I send you herewith an up-to-date list of the leading men and corporations who are subscribing in this group, and I think you will admit it represents the classification of the real leaders of industry, which you are invited to join.

He says, again:

I will simply point out that the men who initiated this emergency fund decided, after much deliberation, that this was the only prompt, big way in which to handle a big thing.

And he says:

The point I wish to make—and I did not mean to dwell on it at such length—is that some particular corporation interests do not seem to grasp that this is their game, their concern, their plea. They know the work has to be done and that some one has to do it, yet they hesitate to help generously. Is it any wonder that our “organized commerce”—

The words “organized commerce” being in quotation marks—has been such a nonentity for years past?

The phrasing of that thing would attract attention. The date also attracts attention. As I remember the record, without reading from it, Mr. Walker said that this emergency fund was a sort of endowment to get the chamber on its feet, and he was quite sure there was no obligation went with these contributions.

Senator NORRIS. The “big list,” as I understand it, was a list of institutions which had agreed to pay \$1,000 a year for three years—

Commissioner COLVER. A thousand dollars or more.

Senator NORRIS. Yes; for three years, and that was the fund used for the organization of the chamber of commerce.

Commissioner COLVER. Yes. I understood that the details of the receipts and expenditures of the emergency fund were to have been filed with this committee within 48 hours. It is not in any record that I have seen, so I have not examined it.

The date of this “big-list” letter, October, 1915, and the statement of the reasons that impelled subscription to this fund attracted further attention, in the light of this other letter which I hold in my hand. In October the names on “big list” were given, and upon the list then we find Swift & Co., and so reading this letter in my hand, I find it is dated June 28, 1915, and in it we see how, apparently, Swift & Co. got on the “big list.”

Senator NORRIS. Read that letter.

Commissioner COLVER. This letter is as follows:

CHICAGO, June 28, 1915.

Mr. L. A. CARTON: I attended a luncheon at the Midway Club on last Wednesday, June 23, at the request of Mr. De Frees.

Mr. John Fahey, president of the National Chamber of Commerce, was there, together with some other parties, including Mr. Forgan, Mr. Thos. Wilson, and quite a few others.

Was considerably impressed with the program which they have laid out, and if they make any requests for financial assistance, would like to know about it.

They maintain a bureau in Washington and evidently get a good hearing on all legislation.

LOUIS F. SWIFT.

You ask why our attention was attracted to the “big list.” That tended to attract our minds to it. In June Mr. Swift tells why he is attracted to the chamber of commerce and in October we find Swift & Co. on the “big list.”

Senator NORRIS. Mr. Colver, would you mind inserting that “big list” right here in your testimony. It is in the record already, but I think it ought to appear in connection with your testimony.

Commissioner COLVER. I think I should say that in the light of the letter which accompanied it, it is as of October, 1915. I will make that notation on it.

(The list referred to is here printed in full, as follows:)

SPECIAL LIST OF "ONE HUNDRED."

[October, 1915.]

Subscribers of \$1,000 or more a year for three years to the emergency fund of the Chamber of Commerce of the United States: Thomas F. Ryan, New York; Eastman Kodak Co., Rochester; Harry A. Wheeler, Chicago; Packard Motor Co., Detroit; J. P. Morgan & Co., New York; Great Northern Railroad; Edward A. Filene, Boston; General Electric Co., Schenectady; Hupp Motor Car Co., Detroit; American Telephone & Telegraph Co., New York; Armour & Co., Chicago; National City Bank, New York; Michigan Sugar Co., Detroit; International Harvester Co., Chicago; Kuhn, Loeb & Co., New York; Southern Pacific Railroad; International Paper Co., New York; New Jersey Zinc Co., New York; John D. Rockefeller, jr., New York; Pettibone, Mulliken & Co., Chicago; Missouri, Kansas & Texas Railroad, New York; Francis L. Leland, New York; Erie Railroad Co., New York; Cadillac Motor Co., Detroit; National Cash Register Co., Dayton; Yale & Towne Manufacturing Co., New York; United Fruit Co., Boston; Ford Motor Co., Detroit; Corn Products Manufacturers' Association, Chicago; William Cramp & Sons Ship & Engine Building Co., Philadelphia; Swift & Co., Chicago; Quaker Oats Co., Chicago; Delaware & Hudson Co., New York; United Gas Improvement Co., Philadelphia; Cambria Steel Co., Philadelphia; American Coal Products Co., New York; Newport News Shipbuilding Co., Newport News, Va.; Fore River Shipbuilding Corporation, Quincy, Mass.; Sears, Roebuck & Co., Chicago; William Morris & Co., Chicago; The Sherwin-Williams Co., Cleveland; The American Sugar Refining Co., New York; Brown Bros., Philadelphia; Curtis Publishing Co., Philadelphia; The White Company, Cleveland; New York Shipbuilding Co., Camden, N. J.

Commissioner COLVER. You also asked us to furnish you the loans to packers made by the list of banks set out in the summary as being affiliated banks.

Senator NORRIS. That is, in your report?

Commissioner COLVER. Yes. You asked for a list of loans from those banks, and I said I would bring it. My office telephones that they have been transcribed but have not been verified and probably will not be verified before noon.

Senator NORRIS. You have reference now to the list that appears in the Federal Trade Commission's report? That is the list I was inquiring about.

Commissioner COLVER. Yes, Senator.

Senator NORRIS. In which the commission said that the following banks—giving the list—were affiliated with the packers?

Commissioner COLVER. Yes.

Senator NORRIS. When that list is ready I wish you would insert it in the hearings.

(The list referred to is here printed in full, as follows:)

BOSTON.

Commercial National Bank (Willson):

No loans recorded.

Broadway National Bank of Chelsea (Swift):

Consolidated Rendering Co. (Swift)-----	\$5,000.00
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Harvard Trust Co. (Swift):

Consolidated Rendering Co. (Swift)-----	25,000.00
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John P. Squire & Co (Swift)-----	10,000.00
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A. C. Lawrence Leather Co. (Swift)-----	15,000.00
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## NEW YORK CITY.

## William Salomon &amp; Co. (Wilson) :

No loans.

## National City Bank (Armour) :

Armour & Co.	\$3,500,000.00
Armstrong Packing Co. (Armour)	850,000.00
Armour & Co.	700,000.00
Wilson & Co. (Inc.)	400,000.00
Morris & Co.	300,000.00
Cudahy Packing Co.	150,000.00
United Dressed Beef Co. (Swift)	200,000.00
Cudahy Packing Co.	150,000.00

## Chase National Bank (Wilson) :

Armour & Co.	1,000,000.00
The Cudahy Packing Co.	100,000.00
Wilson & Co. (Inc.)	925,000.00
J. K. Mosser Co. (Armour)	145,000.00
The Cudahy Packing Co.	200,000.00

## International Banking Corporation (Armour) :

Armour & Co.	300,000.00
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## Irving National Bank (Swift and Armour) :

Armour & Co.	500,000.00
Consolidated Rendering Co. (Swift)	15,000.00
The G. H. Hammond Co. (Swift)	150,000.00
A. C. Lawrence Leather Co. (Swift)	225,000.00
North Packing & Provision Co. (Swift)	211,250.00
Sperry & Barnes Co. (Swift)	3,750.00
Springfield Provision Co. (Swift)	10,000.00
Do.	5,000.00
John P. Squire & Co. (Swift)	221,250.00
United Dressed Beef Co. (Swift)	200,000.00
White Pevey Dexter Co. (Swift)	50,000.00
Do.	2,500.00

## Guaranty Trust Co. (Wilson) :

Armour & Co.	2,000,000.00
Frigorifico Wilson De La Argentina	250,000.00

## Irving Trust Co. (Armour) :

No loans.

## New York County National Bank (Swift) :

No loans.

## Hallgarten &amp; Co. (Wilson) :

No loans.

## CHICAGO.

## Continental &amp; Commercial National Bank (Armour, Cudahy) :

Armour Grain Co.	2,300,000.00
Fowler Packing Co. (Armour)	5,000.00
Do.	25,000.00
Armour & Co.	6,680,000.00
Do.	2,500,000.00
Armstrong Packing Co. (Armour)	50,000.00
The Cudahy Packing Co.	3,190,954.37
Morris & Co.	1,200,000.00
T. M. Sinclair & Co., Ltd. (Wilson)	200,000.00
Hammond Packing Co. (Armour)	3,182,500.00
Wilson & Co., Inc.	680,000.00
Badger State Tanning Co. (Armour)	50,000.00
Cappon & Bertsch Leather Co. (Armour)	100,000.00
J. K. Mosser Co. (Armour)	200,000.00
The Cudahy Packing Co.	350,000.00

<sup>1</sup> Pounds sterling.

<b>Hibernian Banking Association (Armour) :</b>	
Armour & Co.....	\$450,000.00
The Cudahy Packing Co.....	300,000.00
Morris & Co.....	300,000.00
Wilson & Co. (Inc.).....	100,000.00
Hammond Packing Co. (Armour).....	100,000.00
New York Butchers' Dressed Meat Co. (Armour).....	2,412,500.00
Cudahy Packing Co.....	100,000.00
<b>Fort Dearborn Trust &amp; Savings Bank (Swift) :</b>	
No loans.	
<b>Fort Dearborn National Bank (Swift) :<sup>1</sup></b>	
Armour Grain Co.....	250,000.00
Armour & Co.....	250,000.00
The Cudahy Packing Co.....	300,000.00
Morris & Co.....	300,000.00
Wilson & Co. (Inc.).....	250,000.00
Libby, McNeill & Libby (Swift).....	100,000.00
W. F. Priebe Co. (Swift).....	3,000.00
W. F. Priebe Co. (Swift).....	25,000.00
Badger State Tanning Co. (Armour).....	595,000.00
Ashland Leather Co. (Swift).....	75,000.00
St. Joseph Tanning Co. (50 per cent Swift).....	25,000.00
The Cudahy Packing Co.....	200,000.00
<b>Illinois Trust &amp; Savings Bank (Swift) :</b>	
Armour & Co.....	1,000,000.00
Do.....	500,000.00
The Cudahy Packing Co.....	914,518.30
Wilson & Co. (Inc.).....	250,000.00
Libby, McNeill & Libby (Swift).....	450,000.00
The Cudahy Packing Co.....	700,000.00
<b>First National Bank (Morris, Wilson) :</b>	
Armour & Co.....	1,000,000.00
The Cudahy Packing Co.....	1,294,530.94
Morris & Co.....	1,150,000.00
Pittsburg Provision & Packing Co. (Armour).....	50,000.00
Wilson & Co. (Inc.).....	450,000.00
Libby, McNeill & Libby (Swift).....	200,000.00
Armour Grain Co. (joint loan with Continental & Commercial Trust & Savings Bank).....	500,000.00
Sherman White & Co. (Morris).....	60,000.00
St. Joseph Tanning Co. (50 per cent Swift).....	72,207.00
Wm. F. Mosser & Co. (Morris).....	25,000.00
The Cudahy Packing Co.....	100,000.00
<b>First Trust &amp; Savings Bank (Wilson) :</b>	
Armour Grain Co.....	1,000,000.00
Central Manufacturing District (Armour, and perhaps Swift and Morris).....	300,000.00
<b>Peoples Trust &amp; Savings Bank (Armour) :</b>	
Armour & Co.....	3,840,000.00
Morris & Co.....	100,000.00
Fowler Packing Co. (Armour).....	100,000.00
Armour Grain Co.....	50,000.00
Empire Tanning Co. (Armour).....	100,000.00
<b>People's Stockyards Bank (Morris, Armour) :</b>	
Wilson & Co. (Inc.).....	170,000.00
Fowler Packing Co. (Armour).....	50,000.00
Chamberlain & Co. (Morris).....	25,000.00
Armour & Co.....	45,000.00
Sherman, White & Co. (Morris).....	100,000.00
The G. H. Hammond Co. (Swift).....	30,000.00
Libby, McNeill & Libby (Swift).....	100,000.00
William F. Mosser Co. (Morris).....	85,000.00
	100,000.00

<sup>1</sup> This bank was omitted from the list in the summary. Both it and the Fort Dearborn Trust & Savings Bank are allied with the Swift interests. By oversight only the Fort Dearborn Trust & Savings Bank was listed.

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National Bank of the Republic (Swift, Cudahy):	
The Cudahy Packing Co.....	\$200,000.00
Armour Co.....	210,000.00
Continental & Commercial Trust & Savings Bank (Armour):	
Armour & Co.....	500,000.00
Armour & Co.....	25,000.00
Armour Grain Co. (joint loan with First National of Chicago).....	500,000.00
Armour Grain Co. (joint loan with Union Trust, of Chicago).....	300,000.00
Armour Grain Co. (joint loan with First National, of Winona, Minn.).....	25,000.00
Drovers' National Bank (Swift):	
Morris & Co.....	100,000.00
T. M. Sinclair & Co. (Ltd.) (Wilson).....	75,000.00
Wilson & Co. (Inc.).....	100,000.00
The G. H. Hammond Co. (Swift).....	100,000.00
Liberty Trust & Savings (Morris):	
Armour & Co.....	25,000.00
Chamberlain & Co. (Inc.) (Morris).....	50,000.00
Sherman White & Co. (Morris).....	20,000.00
William F. Mosser Co. (Morris).....	30,000.00
Woodlawn Trust & Savings Bank (Swift):	
No loans.	
Westside Trust & Savings Bank (Morris):	
Armour & Co.....	25,000.00
Crescent City Stock Yards & Slaughter House Co. (Ltd.) (Morris).....	25,000.00
Wilson & Co. (Inc.).....	50,000.00
Chamberlain & Co. (Inc.) (Morris).....	60,000.00
Sherman White & Co. (Morris).....	40,000.00
The Eby Bolohna Co. (Morris).....	6,506.50
Cappon & Bertsch Leather Co. (Armour).....	15,000.00
William F. Mosser Co. (Morris).....	75,000.00
Mid City Trust & Savings Bank (Morris):	
Crescent City Stock Yards & Slaughter House Co. (Ltd.) (Morris).....	30,000.00
Sherman White & Co. (Morris).....	20,000.00
William F. Mosser Co. (Morris).....	85,000.00
Union Trust Co. (Armour):	
Armour & Co.....	200,000.00
The Cudahy Packing Co.....	224,531.27
The G. H. Hammond Co. (Swift).....	100,000.00
The Cudahy Packing Co.....	150,000.00
Armour Grain Co. (joint loan with Continental & Commercial Trust & Savings Bank).....	300,000.00
Stoney Island Trust & Savings Bank (Armour):	
Armour & Co.....	20,000.00
Colorado Packing & Provision Co. (Armour).....	10,000.00
Fowler Packing Co. (Armour).....	10,000.00
J. K. Mosser Co. (Armour).....	20,000.00
Cappon & Bertsch Leather Co. (Armour).....	10,000.00
Kenwood Trust & Savings Bank (Armour):	
Consolidated Rendering Co. (Swift).....	35,000.00
Morris & Co.....	25,000.00
John P. Squire & Co. (Swift).....	35,000.00
Wilson & Co. (Inc.).....	40,000.00
The G. H. Hammond Co. (Swift).....	20,000.00
The G. H. Hammond Co. (Swift).....	5,000.00
Libby, McNeill & Libby (Swift).....	40,000.00
A. C. Lawrence Leather Co. (Swift).....	50,000.00
Depositors State & Savings Bank (Wilson):	
Morris & Co.....	10,000.00
T. M. Sinclair & Co. (Ltd.) (Wilson).....	15,000.00
Wilson & Co. (Inc.).....	25,000.00
Wilson & Co. (Inc.) of Cal.....	15,000.00
Thos. W. Wilson & Co (Wilson).....	25,000.00

**GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 155**

<b>South Side State Bank (Armour &amp; Swift) :</b>	
Armour & Co.....	\$10,000.00
<b>Central Manufacturing District Bank (Armour) :</b>	
Armour & Co.....	40,000.00
United Dressed Beef Co. (Swift).....	10,000.00
Wilson & Co. (Inc.).....	30,000.00
Colorado Packing & Provision Co. (Armour). (Joint loan with Continental & Commercial National Bank).....	10,000.00
Fowler Packing Co. (Armour). (Joint loan with First National Bank).....	10,000.00
The G. H. Hammond Co. (Swift).....	15,000.00
Libby, McNeill & Libby (Swift).....	45,000.00
<b>Live Stock Exchange National Bank (Armour, Swift, Wilson) :</b>	
Armour & Co.....	345,000.00
Consolidated Rendering Co. (Swift).....	5,000.00
Morris & Co.....	120,000.00
Wilson & Co. (Inc.).....	200,000.00
Sherman White & Co. (Morris).....	10,000.00
The G. H. Hammond Co. (Swift).....	50,000.00
Libby, McNeill & Libby (Swift).....	25,000.00
Fowler Packing Co. (Armour). (Joint loan with First Na- tional Bank).....	37,500.00
<b>Stockyards Savings Bank (Armour, Swift, Morris) :</b>	
Fowler Packing Co. (Armour).....	50,000.00
The G. H. Hammond Co. (Swift).....	50,000.00
Libby, McNeill & Libby (Swift).....	75,000.00
Sherman White & Co. (Morris).....	70,000.00
Drovers Trust & Savings Bank (Swift). No loans.	
Stockman's Trust & Savings Bank (Armour-Wilson). No loans.	

**EAST ST. LOUIS, ILL.**

<b>National Stockyards National Bank (Morris, Swift, Wilson) :</b>	
Armour & Co.....	65,000.00
Morris & Co.....	60,000.00

**STLOUX CITY, IOWA.**

<b>Live Stock National Bank (Swift) :</b>	
The Cudahy Packing Co.....	34,552.16
North Packing & Provision Co. (Swift).....	20,000.00
Sperry & Barnes Co. (Swift).....	20,000.00
John P. Squire & Co. (Swift).....	20,000.00
A. C. Lawrence Leather Co. (Swift).....	20,000.00
Joseph Stern & Sons (Inc.) (Morris).....	25,000.00
G. H. Hammond Co. (Swift).....	25,000.00

**OMAHA.**

<b>Live Stock National Bank (Swift and Morris) :</b>	
William F. Mosser Co. (Morris).....	25,000.00
Joseph Stern & Sons (Inc.) (Morris).....	25,000.00
Morris & Co.....	50,000.00
<b>Stockyards National Bank (Armour and Cudahy) :</b>	
Armour & Co.....	385,000.00
Consolidated Rendering Co. (Swift).....	115,000.00
The Cudahy Packing Co.....	337,827.28
Morris & Co.....	165,000.00
North Packing & Provision Co. (Swift).....	110,000.00
Sperry & Barnes Co. (Swift).....	75,000.00
Springfield Provision Co. (Swift).....	14,800.00
John P. Squire & Co. (Swift).....	139,300.00
Colorado Packing & Provision Co. (Armour).....	5,000.00
The G. H. Hammond Co. (Swift).....	53,000.00
Cappon & Bertsch Leather Co. (Armour).....	50,000.00
National Calfskin Co. (Swift).....	143,000.00
The Cudahy Packing Co.....	25,000.00
White, Pevey & Dexter Co. (Swift).....	77,300.00

## Omaha National Bank (Cudahy):

Armour & Co.....	\$265,000.00
Consolidated Rendering Co. (Swift).....	156,000.00
The Cudahy Packing Co.....	545,500.00
Morris & Co.....	235,000.00
North Packing & Provision Co. (Swift).....	185,000.00
Sperry & Barnes Co. (Swift).....	17,000.00
Springfield Provision Co. (Swift).....	49,000.00
John P. Squire & Co. (Swift).....	168,000.00
White, Pevey & Dexter Co. (Swift).....	59,500.00
Wilson & Co. (Inc.).....	50,000.00
A. C. Lawrence Leather Co. (Swift).....	195,000.00
National Calfskin Co. (Swift).....	178,500.00
Cudahy Packing Co.....	60,000.00

## ST. JOSEPH, MO.

## St. Joseph Stockyards Bank (Swift-Morris):

A. C. Lawrence Leather Co. (Swift).....	50,000.00
Do.....	25,000.00
National Calfskin Co. (Swift).....	25,000.00
Armour & Co.....	5,000.00
Consolidated Rendering Co. (Swift).....	75,000.00
Morris & Co.....	50,000.00

## First National Bank (Swift):

Morris & Co.....	75,000.00
G. H. Hammond Co. (Swift).....	50,000.00
Libby, McNeill & Libby (Swift).....	75,000.00
St. Joseph Tanning Co. (50 per cent Swift).....	65,000.00

## American National Bank (Swift):

No loans.

## Drovers &amp; Merchants Bank (Swift):

No loans.

## First Trust Co. (Swift):

No loans.

## KANSAS CITY, MO.

## Drovers National Bank (Morris-Swift):

Morris & Co.....	40,000.00
The Stockyards Serum Co. (Morris).....	30,000.00
Wilson & Co. (Inc.).....	30,000.00
G. H. Hammond Co. (Swift).....	5,000.00
William F. Mosser Co. (Morris).....	50,000.00

## Interstate National Bank (Armour):

The Cudahy Packing Co.....	62,307.34
Morris & Co.....	50,000.00
Wilson & Co. (Inc.).....	100,000.00

## New England National Bank (Armour):

Armour & Co.....	5,000.00
Armour Grain Co.....	100,000.00

## WICHITA.

## Kansas National Bank (Cudahy):

Consolidating Rendering Co. (Swift).....	10,000.00
Morris & Co.....	35,000.00
North Packing & Provision Co. (Swift).....	10,000.00
Sperry & Barnes Co. (Swift).....	10,000.00
A. C. Lawrence Leather Co. (Swift).....	10,000.00

## Union Stockyards National Bank (Cudahy):

The Cudahy Packing Co.....	10,000.00
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## Guarantee Title &amp; Trust Co. (Cudahy):

No loans.

## OKLAHOMA CITY.

## Oklahoma Stockyards National Bank (Morris-Wilson):

No loans.

## FORT WORTH.

Stockyards National Bank (Swift, Armour) :  
No loans.

## DENVER.

Denver Stockyards Bank (Swift, Armour, and Morris) :  
No loans.

## PORTLAND, OREG.

Live Stock State Bank (Swift, Armour) :  
Union Meat Co. (Swift, Armour, Morris) ----- \$22,000.00

## SAN FRANCISCO.

Anglo-California Trust Co. (Swift) :  
No loans.  
Bank of South San Francisco (Swift) :  
Western Meat Co. (Swift and others of Big Five) ----- 5,000.00  
Total ----- 66,116,710.14  
Deduct joint loans ----- 800,000.00  
Net total ----- 65,316,710.14

Senator NORRIS. Is that all you care to say in answer to that question, Mr. Colver?

Commissioner COLVER. I think so. But if we are searching public documents—

Senator NORRIS. I think you have gone into it sufficiently, unless there is something else that bears directly on it.

Commissioner COLVER. I want to read something with relation to the formative stages of our critic. I read from the Report of the Commission on Industrial Relations, volume 9, page 8730. Mr. Ivy Lee, the press agent for Standard Oil and the Rockefeller family, was on the stand, and the following occurred:

Chairman WALSH. What were the interviews that you had with Mr. Harry Wheeler? Were they in reference to the Rockefeller interests?

Mr. LEE. Mr. Wheeler and Mr. Rockefeller had had a talk in reference to enlarging the scope of the publication of the National Chamber of Commerce, called the Nation's Business. Mr. Rockefeller asked me to see Mr. Wheeler and get his ideas, in order that I might give Mr. Rockefeller my views as to whether it was desirable to go further with the plans which he and Mr. Wheeler had discussed. I saw Mr. Wheeler and others in connection with the matter, but never made a report to Mr. Rockefeller, because, as I told him verbally, I never had become convinced that the plan was quite practicable.

Chairman WALSH. What was the plan?

Mr. LEE. The plan was to enlarge the scope of the publication of the National Chamber of Commerce of the United States—a paper called the Nation's Business.

Chairman WALSH. How to enlarge it—to put money into it?

Mr. LEE. To enlarge the size and, of course, the number of issues, and the question as to whether or not it would be desirable to lend the chamber sufficient working capital to enable them to put the matter on a sound and paying basis.

Chairman WALSH. Who was considering lending the money?

Mr. LEE. Mr. Rockefeller and Mr. Wheeler had discussed such a proposition—a proposition to finance such an enlargement. I do not know that I can add anything more to that.

Chairman WALSH. Where was the money to come from—from Mr. Rockefeller's funds?

Mr. LEE. If Mr. Rockefeller was to finance it, it was to come from Mr. Rockefeller's funds, naturally.

On page 8852 of the same volume it appears that Mr. Lee was requested to furnish all the correspondence on the subject then under investigation, and finally there was a rather sweeping order to produce correspondence. I will read this much from the record:

Mr. LEE. I had no correspondence with Mr. Wheeler or with Mr. Fahey. There were two letters from Mr. Wheeler to Mr. Rockefeller, which were referred to in one of my letters as having been returned to Mr. Rockefeller. Your commission asked me to produce that letter referred to as an inclosure, and that is the letter we felt was privileged.

Chairman WALSH. That is the letter from Mr. Wheeler, of the National Chamber of Commerce, to Mr. Rockefeller?

Mr. LEE. Yes.

Chairman WALSH. And you considered that privileged and did not produce it?

Mr. LEE. Yes.

So that, whatever that letter was, it was not produced; the letter from Mr. Wheeler to Mr. Rockefeller on this subject was not produced in that Government inquiry because it was deemed to be privileged with respect to Mr. Lee. I suppose Mr. Wheeler has a copy.

Senator NORRIS. Have you concluded your answer, Mr. Colver?

Commissioner COLVER. Yes; I have finished.

Senator NORRIS. Then, Mr. Colver, I want to ask you if the commission before making this report made any investigation in regard to the advertising propaganda of these various packing institutions—Swift & Co. and others. Or if you did not make any investigation with that particular point in view, did you find that there was such a propaganda, to what extent they were advertising in the newspapers of the country, and what was the object of such advertising?

Commissioner COLVER. The advertising campaign seemed to be of interest to this inquiry so long as very large amounts of money were being charged into the cost of meat. The commission had not gotten to the point of going into that matter in detail before a ruling was made—I won't try to give the date—but a ruling was made by the Food Administration, as I understand, that such advertising expense could not properly be carried into the costs, but should be paid out of undivided profits or in some other way; it could not be carried as cost of operation. When that ruling was made and the charges for these advertising campaigns were book kept in the other way they ceased to be of interest or germane to this particular inquiry we were making, and we did not go any further.

Senator NORRIS. I am moved to ask the question, Mr. Colver, by the fact that as far as I am able to ascertain, some of these packers have consistently, for quite a while, been engaged in advertising in all of the papers of the United States. I have here some examples. Among others, I have two display advertisements that were taken out of a country newspaper out in southwestern Nebraska, both of them in the same issue of the paper. Can you give the committee any idea how much money the packers have expended in the last year in advertising?

Commissioner COLVER. I can not now. I presume we could secure a rather accurate figure.

Senator NORRIS. Can you get that in a few days?

Commissioner COLVER. Yes, sir.

Senator NORRIS. Will you get it and put it in with your testimony here?

Commissioner COLVER. I shall be glad to do it if it is possible to be done.

Senator NORRIS. Also, are there any newspapers in the United States that are not included in the advertising propaganda? Do they include all of the country newspapers and practically all of the great magazines of the country?

Commissioner COLVER. We will make every effort to ascertain that for you.

Senator NORRIS. For instance, I have a page advertisement here taken from the last issue of the Saturday Evening Post. I just clipped it out yesterday.

Commissioner COLVER. It seems to me, perhaps, that the only really serious harm that has been done by those advertisements has been the fixing so thoroughly in the public mind, and fixing so thoroughly, apparently, in the minds of the editors of newspapers, a distinct and fundamental misrepresentation of the report and recommendation of the Federal Trade Commission on the subject.

Senator NORRIS. That is the thing I want to get at, Mr. Colver. For instance, here is an advertisement in the Saturday Evening Post dated September 28, 1918, a whole page, and everybody knows that costs a good deal of money. The actual printing of the advertisement could be contained on a quarter of a page in ordinary type.

I notice in most of these advertisements they do not offer anything for sale. Have the packers anything for sale that needs any advertising in order to sell it? Is it not true that now, and for some time past, there has been a ready sale for everything in the meat line that they could possibly put on the market?

Commissioner COLVER. No; I would not say so, Senator. I should say that the advertising for sale of many of their products—for instance, butter substitutes, soap, breakfast foods, and many of the hundreds of things that they are engaged in making—might very properly be advertised with profit to themselves, with profit to the publications, and in the public interest. That is to say, the advertising of a meritorious article for sale, setting forth its merits, is, I think, a good thing.

The thing that I was about to come to, however, was that the only harm I can see that these advertisements have done has been to fix in the public mind and in the editorial mind—I speak from what I read in the newspapers and magazines—a fundamental error about the findings and recommendations of the Federal Trade Commission in this matter. They have fixed thoroughly in the public mind that the Federal Trade Commission has recommended and urged and believed in the taking over of the packing plants.

Senator NORRIS. Let me ask you right there, Mr. Colver, if this is not the fact in that respect: That the fixing of that idea in the mind of the public has not come from the advertising but has come from what has been stated in the report of the Chamber of Commerce of the United States, through its Federal Trade Committee, which has already been put in evidence and which is signed by Rush C. Butler, the chairman of the committee? On page 7 of that report appears this language—and it is the only language in this lengthy criticism that could be construed into a statement that the Federal Trade Com-



mission recommended the taking over of the packing plants. It reads as follows:

Although the question of Government operation of the meat-packing industry was in April committed to a special commission on which the Federal Trade Commission had representation, and in May the special commission decided against Government operation unless it was subsequently found impossible to enforce regulations of the Food Administration, the Federal Trade Commission on June 28 informed the Senate and the press that the meat packers "are soon to come under further governmental regulation approved by Executive order."

Do you know of anything else in this chamber of commerce criticism of your report upon which might be based a charge that in the report you had recommended the taking over of the packing industry?

Commissioner COLVER. You can not find it in the Federal Trade Commission's report. They never found it in the report. It is not there.

Senator NORRIS. I understand it is not there. Anybody who will read the report must know it is not there. You made no such recommendation, did you?

Commissioner COLVER. No.

Senator KENDRICK. Pardon me, Senator Norris; I want to ask Mr. Colver if there is anything in the recommendations of the commission in the way of legislation that suggests anything except corrective measures?

Commissioner COLVER. Nothing whatever.

Senator KENDRICK. And is there anything in the recommendations that would under any circumstances upset at this time the ordinary business of meat production?

Commissioner COLVER. We think, on the contrary, it would stimulate it.

Senator KENDRICK. Or hamper it in any way?

Commissioner COLVER. Nor hamper it.

Senator KENDRICK. There is another question I want to ask you, Mr. Colver. In all of the criticisms, as you are pleased to call them, of the Federal Trade Commission's report, have you ever seen in print anywhere a denial of the truthfulness of the findings of the commission?

Commissioner COLVER. I never have; but I have seen repeatedly, continually, and continue to see now, editorials, arguments, newspaper articles, magazine articles, starting from the premise that the Federal Trade Commission recommends the taking over of the packing plants, and then proceeding to argue against such a recommendation.

Senator NORRIS. That is just what I was leading up to, Mr. Colver, in my questions. I want to ascertain, if I can, what was the condition of a lot of editorial writers' minds when this criticism was published from which I have just read this extract—that extract being the only place in the criticism upon which could be based a claim that you had made that kind of recommendation. This report of the Federal trade committee of the chamber of commerce, from which I have read this extract, was given very wide circulation, was it not?

Commissioner COLVER. I believe it was.

Senator NORRIS. Sent to all the newspapers in the United States?

Commissioner COLVER. I have heard that; I have no reason to doubt it.

Senator NORRIS. The report of the Federal Trade Commission on the meat-packing industry, which they were criticizing, was not sent to all the newspapers of the United States?

Commissioner COLVER. No; we were limited by law in our publication of that document, for the reason that its publication was objected to continually in the House and the Senate when it was offered for insertion in the Congressional Record, and we could not get sufficient copies.

Senator NORRIS. Taking into consideration the fact that at the time this was published practically every newspaper in the United States had received money from the packers for advertising, most of which did not contain the offer of anything for sale, and that the same newspapers that had received this money received the report of the chamber of commerce criticizing your report and containing the clause that I have just read to you, is it not fair to assume that the ground so prepared by this advertising propaganda was in a condition ready to give favorable editorial comment on anything that was in favor of the packers, and that every newspaper seized upon this paragraph that I have read, assuming it to be a statement that in your report that you had recommended that the Government take over the meat-packing establishments, and editorials were written in opposition to what they supposed to be your position? Do you think there is anything in that viewpoint?

Commissioner COLVER. Senator, I think that is innocent, because of my own personal experience. I know of newspaper men in Washington here who have every access to the correct information—

Senator NORRIS. Before you answer, let me taken up a newspaper here in Washington. Here is a long editorial, two columns, defending the packers and their business, based upon the assumption that your commission had recommended in your report that the Government take over the packing establishments. This is the first sentence of it:

A Federal commission recommends that the Government take over the packing business of the United States, which is the business of supplying the people of this country, the people of other countries, and the armies of the United States with meat.

And upon that statement—which, as I understand from you, is absolutely without any foundation of fact—

Commissioner COLVER. Not the slightest foundation.

Senator NORRIS. They proceed to argue in an editorial two columns long. I might mention this is the same paper that is under investigation now by a Senate committee for having been financed by the brewing interests. There is not anything on which they could base that statement except that paragraph, is there, that I have read?

Commissioner COLVER. Except the thought expressed in that paragraph?

Senator NORRIS. I mean that.

Commissioner COLVER. Yes.

Senator NORRIS. And that paragraph, of course, as far as any intimation of that kind is concerned, is without any foundation whatever?

Commissioner COLVER. Yes.

Senator NORRIS. Do you not think, Mr. Colver, that newspapers that had been getting money from the packers would be more apt to publish that sort of editorials than newspapers who had not been getting money from the packers? I do not mean it would influence every newspaper, but newspaper men are human beings. Do you not have an idea that the newspapers that had been getting big sums and expected to get more big sums from these same packers would be more apt to come to their relief in a condition of that kind than they otherwise would?

Commissioner COLVER. Senator, I am a newspaper man, and I know the game. [Laughter.]

Senator NORRIS. Then you ought to know.

Commissioner COLVER. Yes. I take my hat off to this thing. It was much more clever than the course you have been setting forth in your questions. When it was possible to so thoroughly plant in the mind of the public and of the writing men that the Federal Trade Commission had recommended something like it had not, and to get that so thoroughly fixed that you could not get it out. That was much more clever than just plain spending of money. I know that the writing men—the newspaper men of this town—do use the expression in defining the report of the commission or in speaking of this committee's hearings that "the report of the Federal Trade Commission recommending taking over the packers." That is the phrase, the definition by which they identify our report, and they are perfectly innocent in the use of that phrase. I am sure of it. And I have had letters and letters from my friends who are laboring under that same delusion; and I take my hat off to the skill that produced this illusion. That was the planting of a phrase. It was cleverly and well done, and was not such coarse work as you suggest.

Senator NORRIS. Mr. Colver, of course, I am not intimating that this plan would have the effect of purchasing all the newspapers of the United States. But I want to ask you now, as a newspaper man, if you wanted to put something across in the press, and you had a hundred papers who had received money from the corporations, and had another hundred papers who had not received any money from those corporations, would you not expect more liberal treatment, on the average, from those who had received money than from those who had not received money?

Is it not akin to the past situation when all the State legislatures and the Federal Congress as well passed laws making it illegal to give passes? They did not assume that every man who got a pass was a criminal or that he was bribed. But that, on the whole, the giving of passes was an evil, and that the evil came about from the fact that here and there it would influence somebody to do something that he would not have done if he had not had the pass; is not that the effect of it?

Commissioner COLVER. Yes. But it has another angle, that if that is intended by these gentlemen—and I do not say whether it is or not—it has a reaction which is directly opposite. The editors, many of them, a great, great many, and the writing men especially, tend to lean backward and not fall in with a thing lest they be suspected of having been influenced by money their employers have received.

Senator NORRIS. Yes; that was true of the passes. Some of the men did lean backward in dealing with the railroad companies, I assume, but what was the object of giving all of the members of the legislature passes and all of the Members of Congress passes, and all of the judiciary—the judges on the bench—passes that would amount to a considerable amount of money, unless they expected to get returns in some way, and how could they get returns unless it was through some favorable action that they would get from these people?

Commissioner COLVER. I want to be sure that I disassociate, however, the sort of advertising which does not offer anything for sale and that which does offer a useful commodity and set forth its merits for the purpose of selling it, and that is a proper and useful thing to do—

Senator NORRIS. Yes.

Commissioner COLVER. In war time and in peace time, in my judgment.

Senator NORRIS. Right in that connection I want to call your attention to an advertisement by Swift & Co., signed by L. F. Swift, its president, printed in, I think, every New York paper, at least it was printed in the New York Times, in the New York Tribune, New York World, and in the Philadelphia Inquirer, on the 28th day of February, 1918, and it is a display advertisement. It is headed in big type "A tribute," and reads as follows:

The patriotism of the employees of Swift & Co. is being manifested in so many substantial ways that we take pride in acknowledging here the evidence of their staunch Americanism.

Three thousand and eighty-nine men from our ranks are now in Army khaki and sailor-blue uniforms.

This impressive figure represents nearly a full regiment from this firm.

In this Swift Legion of Honor 103 of the men have won commissions in the Army.

When "preparedness" was the admonishment of the hour, the Swift Military Club was organized; in it have been trained hundreds of men.

It is our local "West Point"—we know that its graduates are better soldiers because they have gone into the Army and were promptly promoted. Some of them have won commissions.

Twenty-eight thousand seven hundred and eighteen Swift employees own liberty bonds to the amount of \$3,879,700.

The women employees of Swift & Co. and the wives and mothers of employees have turned thousands of pounds of wool into sweaters, socks, helmets, and scarfs for our men in uniform.

They have donated large sums of money to the Red Cross.

They have contributed to the war funds of the Y. M. C. A. and Knights of Columbus.

It is an inspiration to observe the flags waving on the desks of department heads in our Chicago office, indicating that every employee in the department is buying war savings stamps every week.

Swift employees voluntarily are contributing weekly sums. \* \* \*

Food conservation pledges are being kept in their homes. \* \* \*

Our employees know that there will be other appeals and they stand as a unit—48,000 strong—eager to give and sacrifice more.

With a full and grave conception of our mutual obligation we blend our loyalty and responsibility with theirs.

Nowhere is there anything advertised for sale or that they had anything for sale—nothing except an advertisement of the patriotism—that, as far as I know, nobody has ever denied—of the employees of Swift & Co.

To put that all over the United States in the shape of an advertisement would cost a great deal of money, would it not?

Commissioner COLVER. Oh, yes.

Senator NORRIS. What would be the object, assuming—which we have a right to assume—that nobody has questioned the patriotism or loyalty of any of its employees of spreading such an advertisement all over the United States in every newspaper in every corner of the country press up to the city press.

Commissioner COLVER. I think, technically, that would be called “building up general good will.”

Senator NORRIS. With that kind of propaganda going on for some time, do you think the tendency would be when you criticized the packers in your report and the chamber of commerce came to their relief, that these newspapers who had gotten that money would be more inclined to favor the fellows that criticized you than to favor you?

Commissioner COLVER. Some of them would; yes.

Senator NORRIS. They would not expect to get all of them.

Commissioner COLVER. We call such things down in the commission “intensive cultivation of friendship.”

Senator NORRIS. In that connection we are called on now to conserve paper, and we are asked to carry things from the grocery stores unwrapped, because the Government wants to conserve paper. These advertisements of which I am speaking are all display advertisements, and take a great deal of paper, pages of it, when a few inches in many of them would contain all the reading matter, would it not, and conserve thousands and hundreds of thousands of dollars' worth of paper, even in the winning of the war program, if such advertisements were omitted or put in a smaller compass, that could be just as well read but which would not be the means of giving so much money to the newspapers from the packers. Is not that true?

Commissioner COLVER. Well, I do not believe that an ad more or less makes much difference in paper consumption. If you put that in, you can leave some reading matter out—speaking practically.

Senator NORRIS. That may be one of the objects of doing it, to cut out some reading matter. [Laughter.] Do you mean to say that a newspaper, as between reading matter and advertising, if we are short of paper, ought to cut out the reading matter and put in the advertising?

Commissioner COLVER. Well, Senator, you have to make the paper come out even. You have so many pages, so many inches, so many columns.

Senator NORRIS. Would it not be better if those who have printed advertisements like I have read now were permitted—or if they would do it directly—to make a donation to the newspapers of the country, rather than to consume all of this paper, since there is nothing in the advertisements about anything that is in dispute and nothing advertised for sale?

Commissioner COLVER. I think that would be very shocking to the self-respect of the newspapers. [Laughter.]

Senator NORRIS. You think the newspaper that printed such an advertisement would rather have the money coming in indirectly than it would to have it come directly?

Commissioner COLVER. Assuming that somebody was going to be influenced?

Senator NORRIS. I do not want to be misunderstood. I presume that is what will be said, that I am charging the newspapers with being corrupt or something of that kind. But is it not fair to say that in a great nation-wide propaganda of this kind, whether it applies to newspaper men, to preachers, to lawyers, congressmen and legislators, or to judges, carried out on an extensive scale, will in a great many instances have an influence over their official action on their newspaper action, if it is a newspaper?

Commissioner COLVER. Yes. I do not like to indulge in clairvoyancy, but this is, in a way, an analysis of the thing as it occurs to me, and I only offer it as my own analysis:

They became one of the greatest, if not the greatest, consumers of advertising space in the country in the months immediately preceding the publication of the Federal Trade Commission's report by consistently advertising in a very great proportion, if not all, of the publications of the country, so that for a period of months—at least for a long time—they were recognized as being what you might call "the big account," the big advertising account, or a big advertising account. They follow that with the misstatement and untruth, thoroughly and deeply and carefully implanted in the public and editorial mind, that the Federal Trade Commission suggested "taking over" the packers—that is to say, wiping out that big advertising account—those two things do have some connection; and I think it was very clever, and take my hat off to it.

May I refer further to this paragraph here for a minute?

Senator NORRIS. The paragraph on page 7?

Commissioner COLVER. On page 7; yes.

Senator NORRIS. All right.

Commissioner COLVER. As I said Thursday, there are some misstatements in here, lots of them, that are inexcusable.

Senator NORRIS. Before you do that—

Commissioner COLVER. Yes.

Senator NORRIS. Referring again now to this report and the criticism of it, was it true that from some source, in some way, there was sent out from Washington here a news dispatch, printed generally over the country, innocently, probably, to the effect that the commission, in its report, had recommended the taking over of the packing plants?

Commissioner COLVER. Oh, yes; that was printed time and time again.

Senator NORRIS. I know; but when the criticism came out from the Federal Trade Commission about that time, was there such a news dispatch, originating here in Washington, that you know of that went all over the country?

Commissioner COLVER. I do not identify that particular dispatch, but it was caused to be printed time after time that we were recommending taking over of the plants. Well, that is in this chamber of commerce report here. Yes; that story went out repeatedly, and it is quite likely—it is not at all unlikely—that one was timed to go out at the time of the appearance of our report.

Senator NORRIS. All right. Now, go ahead with what you started on.

Commissioner COLVER. I just wanted to clear-up this paragraph on page 7, which you have already read, but in order to make my explanation clear I think I will have to read it again:

Although the question of Government operation of the meat-packing industry was, in April, committed to a special commission, on which the Federal Trade Commission had representation, and in May the special commission decided against Government operation unless it was subsequently found impossible to enforce the regulations of the Food Administration, the Federal Trade Commission on June 28 informed the Senate and the press that the packers "are soon to come under further governmental regulation approved by Executive order."

To my mind that may mean we lied about that or that we made a bad prophecy, or something of that sort. Anyway, it is criticism of our source of information on that subject. Among the sources of our information on that subject is the Official Bulletin, printed by the Government, by the Committee on Public Information, of Friday, May 31, 1918. I read:

The President has approved the recommendations of the committee which he appointed to report on the policies to be pursued by the Government with regard to the meat and packing industries. The matter was raised by a letter from Mr. Hoover to the President on March 26. The committee making the report consisted of Secretary of Agriculture Houston, Secretary of Labor Wilson, Chairman of the Tariff Commission Dr. Taussig, Commissioner Fort, of the Federal Trade Commission, and Food Administrator Hoover.

I am not going to read this whole thing, but I call your attention to the fact that the Official Bulletin says that the President has approved this, and, as a matter of fact, he did approve it, and this is what the report says. Remember, the chamber of commerce complained that we said that the "meat packers are soon to come under further governmental regulation, approved by Executive order."

They complained at that, and that is what we said.

Senator KENDRICK. May I ask, Mr. Colver, did you make that statement?

Commissioner COLVER. Oh, yes; that is a perfectly true statement; perfectly true. Now I read our authority from this Official Bulletin. [Reading:]

3. The packers should be required to report wholesale prices received for meat products, and the transfer value of the principal by-products from their departments should be furnished by the packers to the Department of Agriculture for publication in their market reports as the department may require.

That is, the President's commission recommends that "further governmental regulation" be extended, and the President approves the recommendation.

And then here is another "further governmental"—

Senator KENDRICK (interposing). Who was it made that recommendation?

Commissioner COLVER. The President's commission on the fairness of the margin of profits of the packers.

Senator NORRIS. That was not the Federal Trade Commission?

Commissioner COLVER. No.

Senator NORRIS. In answer to the Senator's question, I think you left the impression that that was the Federal Trade Commission which made that recommendation.

Commissioner COLVER. I hope not.

Senator NORRIS. That is what the Senator understood.

Commissioner COLVER. No; we did not make that recommendation. The chamber of commerce complains that we said—of course, they do not write very clearly, and sometimes you can not tell exactly what they mean—but the inference is that we said and were not warranted in saying that the “packers are soon to come under further governmental regulation approved by Executive order.” They quote that from the Federal Trade Commission profiteering report and complain about it and say we had no business to say it, because “Although the question of governmental operation of the meat-packing industry was in April committed to a special commission, on which the Federal Trade Commission had representation, and in May the special commission decided against government operation,” bringing in “Government operation,” do you see, and then they say that we said “that they are soon to come under further governmental regulation,” as though that were not true and as though in saying it we meant “taking over” the packing plants. They refer to our report, but they do not make reference to the report which they have cited, and the report which they have cited, as I am showing you, does recommend and the President approves “further governmental regulation approved by Executive order.” It is our authority—and ample authority—for our statement.

Of course, they knew about this report to the President, because this is the one they are referring to but not quoting from, while they misquote from us. I read again from the Official Bulletin. [Reading:]

The stockyards should be placed under license and regulation by the Department of Agriculture, which should also establish a governmental system of animal grading under suitable regulations and methods of price reporting of actual transactions. Daily reports should be made on distribution and destinations of live stock, meats, and other products from principal packing points.

There is a further recommendation of a further governmental regulation which should be had, which was approved by the President, and upon which we based our statement that they were “soon to come under governmental regulation approved by Executive order.”

I am just showing the perfectly inexcusable perversion of this thing, and it is in the same paragraph where they demonstrate that we suggested or recommended the Government operation of the plants—all a piece of the same cloth.

I now read from the same Official Bulletin of May 31, under the subhead “Government and allied purchases”—from this report which was approved by the President, and given out officially and printed in the Official Bulletin, and referred to by the chamber of commerce, but not quoted by them:

The food purchase board, established last November by the Food Administrator and the Secretaries of War and the Navy, with the approval of the President, for the coordination of policies in purchases of official governmental agencies of certain food commodities, should extend its activities to the coordination of the purchase of packing-house products by all official agencies.

And then, reading from the latter part of the paragraph, figure 2, under the subhead “Government and allied purchases”:

The packers' profits should be controlled so as to prevent excessive charges and so that the policy already declared by the President in cases where war buying dominates the market, that “we must make the prices to the public the same as the prices to the Government,” may be effectuated.



Now, I take it that there are three distinct further governmental regulations which have been approved, and that this criticism—this misquotation—is a misquotation.

Senator NORRIS. I assume that that entire paragraph that you have read wants to convey the impression to the reader that, as a matter of fact, the Federal Trade Commission did recommend that the Government take over the packing plants and operate them. It may not be very clear that that is the theory, but I do not understand anything else that it would try to convey, and, of course, in that respect it is unfounded and without any reason; and I have had an idea that a good many editorial writers had based their statement on a conclusion that they had reached from reading that paragraph.

Commissioner COLVER. The impression on the part of the public and the editors may be an innocent one. It is very well done.

Senator NORRIS. If they got it from that source it would be perfectly innocent.

Commissioner COLVER. Because it is helped out in the same page, middle of the next paragraph:

At each city the special counsel—

Meaning the Federal Trade Commission—

or other members of the staff let it be known that the Government contemplated taking over and operating the industry.

Senator NORRIS. Is there any foundation for that statement?

Commissioner COLVER. Well, there is a foundation, but not of our making.

Senator NORRIS. I mean, did the commission do anything or take any action that would justify the making of that statement?

Commissioner COLVER. Absolutely not.

Senator GRONNA. Mr. Colver, if I may be pardoned, is it not true that when the hearings were held before the Committee on Agriculture early in the spring that certain witnesses here suggested taking the packing plants over by the Government?

Commissioner COLVER. That may be true.

Senator GRONNA. I think that the record of the hearings will so disclose. I mention this for the reason, if the committee will pardon me, that petitions have been sent to me by the hundreds, and I think possibly I may have had some of them inserted in the record—I am not sure of that—but I remember positively that witnesses who were before the committee at that time advocated the taking over of the packing plants by the Government, and I think I am safe in stating that members of this committee stated that it would be a happy solution to have that done. Of course, that being the case, is it not reasonable to suppose that these editorial writers might assume that it would be the policy to take them over?

Commissioner COLVER. Yes. It was not an assumption on their part; it was given to them with a hypodermic.

Senator GRONNA. In speaking of the advertisements, Mr. Colver, I have just returned from the West, and I think I could dig out a few of those advertisements that are printed in papers which never before had an advertisement from any of the packing concerns. Those advertisements did not advertise any goods; they simply commented upon the unfairness of the report of the Federal Trade

Commission. Now, would you say that that was legitimate advertising in the newspapers?

Commissioner COLVER. I rather think to comment on the unfairness of this report, to tell a story to the public which they think should be told, to state their side of the case, whether it has to do with selling goods or not, is a proper thing. I do not think it entirely proper to use it for the purpose of misrepresenting and distorting a Government report.

Senator NORRIS. I would not have any objection if they wanted to advertise anything along that line, but they ought to confine themselves, of course, to the facts.

Commissioner COLVER. You asked me if there was any foundation for the story. The story was printed not because we wanted it printed, but despite all we could do. It could not possibly have been given out—I mean there were contrary orders. They say here: “The special counsel or other members of the staff”—that means Mr. Heney. Mr. Heney never said such a thing. Mr. Heney was too smart to say such a thing—to say in advance what the commission was going to do. No member of the staff said it. The only foundation we found was a newspaper story which originated in Philadelphia. That was investigated by the Federal Trade Commission, was investigated by the packers, it was the subject of an important correspondence, and if there was ever a story sifted down to its source that was sifted down to its source, and when it was run down it was not a statement made by any member of the Federal Trade Commission or its legal staff or examining staff. It was made a great deal of by the gentlemen under investigation, and was the most useful thing for their purposes that I know of that happened during that time—most useful to them.

Senator GRONNA. Is it not reasonable to suppose, Mr. Colver, that thousands of people, especially out in the western country, are reading the advertisements of these packers who have never read your report? They have no means of getting your report, because you were limited as to the number of copies; even the Members of the Senate and House were limited to the number of copies, and we could only get six.

Commissioner COLVER. The President has sent the report to both the House and the Senate. It may now be printed as a document, and then you can get some.

Senator GRONNA. What I would like to know is this—just to be perfectly fair about it: In my little home town I own a little country newspaper myself—a weekly. I have nothing to do with the editorials; in fact, I have nothing to do with it except to pay the bills when they run short. I noticed in that little paper—

Commissioner COLVER (interposing). I have a fellow feeling for you.

Senator GRONNA. In that little paper was an advertisement of the packers. Nothing was said in the editorial columns about it, and nothing has ever been printed in that newspaper as to your report, because the editor has not had the report. It is impossible for him to get the report. I say “impossible;” it might not be impossible, but he has not had it. But the advertisement is there, and I expect the manager is being paid for it.

Commissioner COLVER. And I have no doubt he believes what he reads. He has heard nothing to the contrary.

Senator GRONNA. He simply prints it as an advertisement. It is not an editorial; it is legitimate advertising, so far as that is concerned. But the public will read that advertisement, and they have not read your report, and what the advertisement states as to your report is misleading—that it is unfair, and all that. I assume that these packers are allowed by Mr. Cotton to charge that up as a legitimate expense. I say that for this reason, that when Mr. Cotton was before this committee for three days, not very long ago, I asked him those very questions about the expense, as to how the Food Administration figured the profits of the packers—and I do not want to misquote him, because his testimony is in print—but he stated most emphatically to this committee that all the expense to which the packers were put was figured as expense; that the valuation of the plants—not the number of dollars that were put into the plants, but the real value of the plants, the money borrowed, and everything like that—was taken into consideration and then cost was fixed.

This is very important not only to the committee but to the producers. I think possibly you know that after this trouble came on the price to the producer has been reduced, Mr. Colver?

Commissioner COLVER. I have heard so.

Senator GRONNA. I sold \$5,308 worth of cattle the other day myself. They were fat cattle; they were fat but not stall fed, simply being grass fed, and they brought less than 8 cents a pound. All these hearings that we are holding here are a detriment to the producer, and I think it is about time we ought to get together with the packers—not for us to make statements and then for them to make their statements again, and I want to ask you this question: Has the Federal Trade Commission had any conference with the packers, or did you have a conference with the packers before you made this report, giving them a chance to explain, if there was any mistake in the reports? Of course, you can answer that in your own way.

Commissioner COLVER. We had conferences with them before the investigation was begun, had conferences with their attorneys during the investigation, and have had conferences, especially with Mr. Armour, who is somewhat of a spokesman, immediately before the publication of the report—conferences that were, I assume, completely full, that is, long, because he terminated them, not we.

Senator GRONNA. And that was all before the commission?

Commissioner COLVER. Yes—

Senator GRONNA. I assume that the commission themselves had the report.

Commissioner COLVER. We do not do business separately; we do business as a commission.

Senator GRONNA. Certainly; I assume that.

Senator KENDRICK. Senator Gronna, may I ask a question?

Senator GRONNA. Certainly. I did not want to interrupt the hearing, but I am somewhat interested.

Senator KENDRICK. Does it occur to you and the other members of the commission that accordingly as this fund for educating the public in increased, the tax of the Government is decreased—I refer

to the Federal tax—and that after all the Federal Government pays for this campaign of education?

Commissioner COLVER. You mean they are paying for it in the sense that it is coming out of an excess profit?

Senator KENDRICK. What would otherwise be paid into the tax funds of the Nation?

Commissioner COLVER. Out of an excess profits or income tax?

Senator KENDRICK. Yes.

Commissioner COLVER. Yes; assuming that the taxes were to be paid.

Senator KENDRICK. We all help to pay taxes, you know, and if they are allowed to charge off—and my question suggests that—this as legitimate expense of operation—

Commissioner COLVER (interposing). No; they are not, Senator. I explained that before you came in. By a ruling of the Food Administration they are required to charge this sort of expense not into operation. The only place, as I understand, it can now be charged is out of undivided profits. If it were charged against undivided profits, it is altogether likely that the corporation tax and the excess-profits tax would be paid upon it. But the part that was not distributed as a dividend would escape income tax. That is, I think, the only place where the tax would be escaped, but there it would be escaped. The Food Administration has ruled that they are required to charge this sort of expense not into operation, and when that ruling was made the Federal Trade Commission lost interest in the advertising of the packers, because it ceased to be a vital thing to this inquiry.

Senator NORRIS. That does not follow in taxing these corporations it would not be taken into consideration just as the Senator suggests. The Food Administration has not any jurisdiction over that?

Commissioner COLVER. No; I think that the corporation would be taxed. The only person that would escape—

Senator NORRIS (interposing). Yes; but the Senator makes a point that I think is perfectly legitimate, and I believe it is perfectly correct, that this corporation tax runs in an ascending scale. If the corporation did not make much of any profit, the rate of taxation would not be so high. But when it gets up high enough there is a corporation tax of 63 per cent that is levied. I think it is better illustrated by another corporation that you referred to in the so-called profiteering report, and that is the New Jersey Zinc Co.

Commissioner COLVER. Yes.

Senator NORRIS. That makes a very high percentage of profit. They are taxed when they get up to that high 63 per cent—I think that is the limit?

Senator KENDRICK. Yes.

Senator NORRIS. When they get up that high they tax it, and anything that they take out of that fund up there is 63 per cent of the taxes that would go to the Treasury of the United States, and only the balance would go to the corporation. So, as a matter of fact, just as the Senator says, the Government would be paying indirectly by losing that much in taxes for that very advertisement.

Commissioner COLVER. I see the drift of the Senator's argument now.

Senator KENDRICK. I would like to ask further in reference to your explanation, Mr. Colver. Is it not true that the refusal to allow this as a legitimate expense applies to this question of the 9 per cent return account of general operation?

Commissioner COLVER. Yes; that is true.

Senator NORRIS. The only thing the Food Administration had to do with it was to provide for limitations in regard to the per cent that they would allow them to make as a profit, and they fixed that at 9 per cent and at 15 per cent on the by-products?

Commissioner COLVER. And no limit on other things.

Senator NORRIS. There was a limitation of 15 per cent on by-products and 9 per cent on the meat products.

Commissioner COLVER. And no limit on the foreign business.

Senator GRONNA. As a matter of fact, the way they figure it out, it amounted to more than that, as Mr. Cotton's testimony explained it, because they borrowed a great deal of money, and they were allowed to make 9 per cent on that money, whereas it cost them from 4 to 6 per cent only.

Senator KENDRICK. If the cost of this advertising campaign be carried in general expenses, it is my contention that under no system of bookkeeping or accounting could it fail to be reflected in the decreased tax paid to the Government.

Commissioner COLVER. I see your point, Senator.

Senator KENDRICK. So, after all, we, the people, are paying for our education, as usual.

Senator NORRIS. Even though it is one sided.

Commissioner COLVER. You see on page 7 of the chamber of commerce report, to come back to that, to clean it up—although I do not think page 7 could really be said to be cleaned up—but to continue:

The result of the commission's course was not to give information to the public, but to place the commission in a position of seeking to create prejudice which would support an apparently preconceived purpose to inaugurate Government operation of the business.

That was written after the report of the commission had been made. In other words, it says we were creating a prejudice in favor of something which we did not recommend. And those three quotations I have read here are the explanation of it, and the explanation of the very deft and the careful planting in the public mind and in the editorial mind of the thought that, no matter what the Federal Trade Commission might report or did report, it was going to report for governmental operation; and then when it did not so report they say, "well, it did, anyhow," and that thought is just about as well fixed in the public mind to-day as the date of the Fourth of July.

Senator NORRIS. Mr. Colver, if you are through with that, I want to ask you three questions that were given to me by Senator Sherman of Illinois, who could not be here, and he asked me if I would not ask them for him; and so I am asking them.

Commissioner COLVER. I wish he might have been able to come and ask them personally.

Senator NORRIS. Number 1 is as follows:

Whether the packers have ever had a hearing or have been offered a hearing in the investigation of the meat industry—

and I am reading from his memorandum. And then, in brackets—I presume this is supplementary—

The packers never have been offered a hearing, and, as a matter of fact, the official transcript of the testimony taken shows that Mr. Heney in an early hearing announced that the hearings were *ex parate* and that no one would be permitted to cross-examine witnesses or produce his own witnesses.

Have you anything to say in regard to that?

Commissioner COLVER. I think, perhaps, I answered the question a few moments ago, in response to your own question. There was one kind of a hearing that they never got, that is the hearing which carries with it immunity; that is the kind of a hearing that was extremely desired.

Senator NORRIS. I will read the second question:

Whether the commissioners, or any of them, have personally read or examined all of the evidence taken in their investigation before the publication of the summary of their report condemning the packers of monopolizing and profiteering?

And then follows the statement, again in brackets:

Commissioner Colver has informally admitted that he and no other member of the commission has read any but the few isolated letters of the testimony taken before the publication of the summary of the report, so that, if his answer should be "yes," or any other answer than an absolute "no," he could be asked how much he had read and what.

Will you answer that question?

Commissioner COLVER. You have spoiled the trap, Senator. How did he say I said that?

Senator NORRIS (reading):

Commissioner Colver has informally admitted that he and no other member of the commission has read any but the few isolated letters—

I am assuming he is asking these questions in good faith.

Commissioner COLVER. So am I. I thought you said he carried a name. I do not hear very well.

Senator NORRIS. It says:

Commissioner Colver has informally admitted that he and no other member of the commission has read any but the few isolated letters of the testimony taken before the publication of the summary of the report.

Commissioner COLVER. "Informally admitted"—that was what I did not catch. Well, I guess that is from the brain of Tom Creigh. That is like the old question, "Will you stop beating your wife?" It can not be answered "yes" or "no."

No, I do not suppose any of the commissioners have read all of the documents that are there in the commission, or all of the testimony that has been taken. I do think that each of the commissioners have read a very great deal, and the combined reading of all of the commissioners would be a very, very great deal; besides having presided at the hearing, and besides talking with these people.

Senator NORRIS. The next question is:

Who prepared the report that the commissioner signed?

Commissioner COLVER. Well, now, let us see. Define exactly what you mean by "prepared"—that is to say, who wrote the final draft?

Senator NORRIS. I judge that is what it means.

Commissioner COLVER. Yes.

Senator NORRIS. He says here in brackets again:

This summary of the report was published before the testimony was read by the commissioners and summary in effect condemns the packers, so that the commissioners as a matter of fact have condemned the packers before they have read the evidence upon which their judgment should have been based.

Commissioner COLVER. Oh, that makes it very easy to answer. The summary report is in two parts. The first part is the letter of transmittal, a letter addressed to the President; the second part is a summarization of the evidence itself. The first part was written in part by myself, in part by Commissioner Murdock, and in part by Commissioner Fort—and no other hand touched it. The summary of the evidence was written first by three or four members of the staff writing different parts of it. It was not at all—no; I can not say “not at all”—it was not to any great extent in the same form when it was first written as when it was printed, in that it was shortened a great deal and made briefer.

Senator NORRIS. By members of the commission?

Commissioner COLVER. From the first form as prepared by members of the staff, not by the commission. What you might call the rough notes or the tentative drafts of various parts of the summary were drawn by different members of the staff in consultation with their subordinates as to the particular subject on which they were writing the summary. That rough draft then came before the three commissioners—we three commissioners then being the full board. It was gone over sentence by sentence and word by word, and the supporting material was called for and presented when any question of verifying or checking up arose. So that the summary, as finally published, consisted of typewritten sheets and typewritten pages, some of which had been rewritten and recast a number of times, and all of which were interlined in the handwriting of Mr. Murdock, Gov. Fort, or myself or of Mr. Durand, who often helped as a sort of amanuensis in the making of the editorial changes and in hunting out and bringing to us documents for verification.

Senator NORRIS. Those are all the questions that Senator Sherman submitted. If that is all you have to say on that question, I want to ask you another one.

Commissioner COLVER. The form of the question suggests to me a conversation between Mr. Murdock, Gov. Fort, I think—but I am not sure of that—and myself, with Mr. Tom Creigh, of the Cudahy Packing Co., in which it was said informally, or doubtless by myself, with reference to a certain file of letters written by Cudahy—that we had not read them or that I had not read them all, and Creigh said, “Will you read them all?” And I said I would.

I had read those letters which were essential and which bore out the statements which we had made on the subject to which the letters ran, and Mr. Creigh asked if I had read the entire file of Cudahy correspondence—I had not, but I judge I had read that part of the file of correspondence which ran with the thing which we had put in the summary. I did make that statement informally or formally or any other way that I had not read all of Cudahy's letters—meaning that I read all of the letters on that particular subject, but not on all the file.

Senator NORRIS. Mr. Colver, as I understand, when the witnesses are placed on the stand representing the chamber of commerce they

do not deny the truth of any of the findings that the Federal Trade Commission made in the meat-packing investigation. They neither deny them nor support them, but they base their criticism and their objection entirely to the procedure, as they claim, of the commission and to the language used. Have you anything further to say than you have already said in regard to that subject in summing it up as to the procedure of the commission and the methods that you pursued in arriving at your conclusions?

Commissioner COLVER. No; the procedure was one of orderliness, carefulness. It proceeded for a long time—in the first place it started off by having a meeting with the packers in Chicago, setting out what was about to be done, reading the President's letter, telling about the direction of Congress in the matter and setting out what was about to be done, which was later put in the form of a letter addressed to them, in which they were asked certain specific questions, and then they were asked in conclusion not to be limited by the questions, but to answer and make any observation of any sort or any suggestion of any sort that they might have in their minds on this subject, to which three out of five of the packers responded—Armour and Wilson did not respond; Cudahy, Swift, and Morris did.

Then searches were made of available data, public documents, court records, printed material published by the packers themselves, financial statements and that sort of thing, banking information, investing information; and in collaboration with the Department of Agriculture, the physical aspects of this problem were studied. The whole inquiry was broken up into what we thought to be logical and orderly divisions and subdivisions and groups, capable men, intelligent men, loyal and patriotic men, and good public servants were given charge of these various subjects, and so we proceeded for some time. And then when we found that the road was blocked, we had to go through. You had ordered us to go through and the President had ordered us to go through, and we went.

Senator KENDRICK. I see you are criticised, Mr. Chairman, for "holding meetings," at least I drew that personally from this chamber of commerce protest—"in different parts of the country," different cities. Is it not true that when this same subject was under investigation by a Senate committee, many years ago, that they held meetings in different cities in much the same way? They did in St. Louis, at least. They began their investigation in that city, just as you began yours in Chicago.

Commissioner COLVER. Yes. That is a fact. I think it is quite customary. It seems to me that when the body of witnesses is greater than the number of attendants at the hearing, that it is economy and good sense to take the smaller bodies to meet the larger bodies.

Senator NORRIS. Commissioner Colver, have you anything else you want to state?

Commissioner COLVER. No; except some interesting things about how this willful perversion of the report works out, how nicely it develops. I admire it as a work of art; I don't know whether you may be interested in it, as I am, from that standpoint. But there are very interesting things in connection with it. For instance, the story goes out of Philadelphia that the Federal Trade Commission is going to take—did not say "is going to recommend it," but said



that the Federal Trade Commission is going to take over the packing plants; and that was printed all over the country. We had nothing to do with it. But that furnished the foundation for a telegram from Detroit, Mich., on January 9, 1918, addressed to the President of the United States:

On behalf of the banks of this country holding large amounts of packers' notes, we, the undersigned banks and bankers of Detroit, respectfully ask you to investigate and consider at the present time the work of the United States Federal Trade Commission in its investigation of the meat industry. We fear a disturbance of the public state of mind, particularly in view of press dispatches similar to those emanating from Philadelphia last Saturday threatening Government action toward receivership of packers' property. Will not legitimate purposes be served by the control which the Government will acquire through the Food Administration and consequent regulation of packers' profits. Will this not be in line with Attorney General Gregory's action in stopping all trust prosecution during the period of the war. We are fully alive to the dependence which must be placed upon the meat industry to win this war and we appeal to you to see that it is not unduly hampered at this particular time.

First and Old Detroit National Bank, Emery W. Clark, president.

The Dime Savings Bank, W. Livingston, president.

Wayne County and Home Savings Bank, J. P. Haas, president.

First State Bank of Detroit, George H. Kirchner, president.

The Peoples' State Bank, J. T. Keenan, president.

The National Bank of Commerce, Richard P. Joy, president.

Peninsular State Bank, J. P. Johnson, president.

Merchants' National Bank, John Ballantyne, president.

The National Bank of Commerce, of which Mr. Joy is president, is the bank we ran into in the other list that had the loans. We never looked to see whether these folks had loans.

That reminded us of this, because there were a number of these—this did not come alone.

Senator NORRIS. That was sent to the President of the United States?

Commissioner COLVER. Yes. I say that Philadelphia story was a very fortunate thing for the packers in an effort to stop the Federal Trade Commission's investigation at that time. We were getting up close.

Senator NORRIS. Is that the only telegram that went to the President that you know of?

Commissioner COLVER. It is the only one I have. That is typical; that is the same piece of cloth as these other things we have been talking of.

Senator NORRIS. I wish you would go ahead.

Commissioner COLVER. Here is an old one. It says—it, too, is another sample of the same sort of activity that we know about—that you all know about—[reading]:

WASHINGTON, July 7, 1916.

F. E. WHITE:

We all agree that it is very important to flood the Judiciary Committee with telegrams from all over the country, and especially the districts where the Members come from, protesting against the passage of the Borland resolution—

That was the resolution that was the genesis, perhaps, of this investigation—

on the grounds live stock selling at very satisfactory prices and any investigation will only disturb present satisfactory conditions. Please arrange a meeting this morning with Veeder and Nelson Morris, get a committee to work on this promptly. Presume banks, commission men, feeders of cattle and live-stock men generally, and any one else you can think of that would be helpful.

Think messages should also be sent to Congressmen as well as members of the Judiciary Committee. The Congressional Directory can give you the list of their names and where they come from. I refer to the Judiciary Committee, not to the subjudiciary committee. It is quite important to reach Gard, of Hamilton, Ohio. Perhaps Proctor, of Cincinnati, knows him. Please get as much action as you can on this and promptly and have the messages sent varied in language.

ARTHUR MEEKER.

Senator NORRIS. Who is "Arthur Meeker," the man who signed that?

Commissioner COLVER. He is of Armour & Co., and Mr. White, to whom it is addressed, is the vice president of Armour & Co., and the letter was found in Morris's files. [Laughter.]

Senator NORRIS. Do you know what kind of a propaganda was carried on as suggested there? Was it carried out that way?

Commissioner COLVER. I think it was very successful in volume. I am merely saying that this sort of thing is very well known. We all know what happened then. This other thing, of that same type of thing, the thing that is shown by that telegram to the President, by this advertising campaign, distorting and falsifying the commission's report, and by this report of the chamber of commerce are all of a piece of the same cloth.

Senator NORRIS. It was a great national propaganda carried on to circumvent the effect of the recommendations of your report.

Commissioner COLVER. First, to stop us and, second, to prepare the public mind for the report they thought was going to be made and have that report unpopular before it was made. The only fly in the ointment was, the report was not as expected when it was made.

Senator NORRIS. The fact that the report was not as expected did not prevent them from attacking the report just the same?

Commissioner COLVER. No; and had no particle of influence on what they said about it—either the chamber of commerce or the packers—how they described it.

There has been printed and published and circulated very widely through the country a document called the "Reply of Swift & Co." to the Federal Trade Commission. If there is no objection, I should like that that reply of Swift & Co. be made a part of my testimony.

Senator NORRIS. Have you got it with you?

Commissioner COLVER. I will furnish it. And, if that is done, that a memorandum which has been prepared in reply to the reply be likewise made a part of the record.

Senator NORRIS. You may put them both in the record.

Commissioner COLVER. I thank you.

(The two documents referred to are here printed in full, as follows:)

FEDERAL TRADE COMMISSION,  
Washington, October 5, 1918.

SIR: At the conclusion of my testimony before your committee September 28, 1918, my understanding was that there was to be submitted as part of the testimony a statement of the Federal Trade Commission in relation to certain published documents bearing upon the summary of the report of the Federal Trade Commission on the meat-packing industry, July 3, 1918.

In order that both sides of the matter may be fairly presented in the record, I am including, in full, the statements made by the packing companies, and therefore am inclosing herewith the following:

1. Statement of Swift & Co. issued August 19, 1918, on summary of the report of the Federal Trade Commission on the meat-packing industry, of July 3, 1918.
2. Answer to the statement of Swift & Co. etc. (as to packer report).

3. Answer of Swift & Co. to the Federal Trade Commission; report of June 29, 1918, on profiteering.

4. Reply to answer of Swift & Co., etc., as to profiteering report.

In submitting the papers Nos. 2 and 4 full acknowledgment is made to the assistance rendered in their preparation by Messrs. Walter Y. Durand and A. B. Adams, of the commission's staff.

Respectfully, yours,

WILLIAM B. COLVER.

HON. JOSEPH E. RANSDELL,

*Chairman Subcommittee Senate Committee on  
Agriculture and Forestry.*

STATEMENT OF SWIFT & CO., ISSUED AUGUST 19, 1918, ON SUMMARY OF THE REPORT OF THE FEDERAL TRADE COMMISSION ON THE MEAT-PACKING INDUSTRY OF JULY 3, 1918.

ABSTRACT OF STATEMENT OF SWIFT & CO.

Swift & Co. proclaims that it is in active competition with all other packers, and can prove that the Federal Trade Commission has failed to establish its statement that the packers are in combination in restraint of trade.

Swift & Co. is glad that it has developed an organization which has been able to take care of war business, and it does not believe that this is a time for the Federal Trade Commission to suggest drastic Government experiments or to throw discredit on an essential industry.

The Trade Commission's investigation was a one-sided affair; the packers were given no chance to present their side of the case; the report is so constructed that it imparts a glamor of importance and significance to matters that are trivial; the whole report is biased and presents many matters in a false light.

The commission presents only such facts as it could use by adroit construction and inference to appear to substantiate the thesis it set out to prove. It omits scores of salient facts which prove that the packers are in competition with each other; that the profits are so small as to have practically no effect on prices; that the packers have performed an indispensable service to the country during peace and war times.

The commission failed to mention that the packers are now operating under Government supervision and that their profits have been limited by the Food Administration since November 1, 1917.

In attacking packer ownership of stockyards, the commission does not explain that the principal reason why packers have become interested in stockyards has been to provide proper and efficient facilities for the care and sale of live stock. Such ownership gives no control over prices. Swift & Co. would be willing to relinquish its interest in stockyards if the continuance of efficient operation can be assured. Stockyards are now under the control of the United States Department of Agriculture.

Swift & Co. owns refrigerator cars because the railroads refuse to furnish them. Swift & Co. is willing to leave it to the judgment of the Railroad Administration, which now has general supervision over our cars, as to whether service can be improved by the Government's taking them over.

Analysis of all the reasons advanced by the commission for its belief that the packers are in combination with each other shows that not one of them is valid. The commission bases its case primarily on the fact that the proportions of live-stock receipts bought by the different packers remain fairly constant from year to year, and that, therefore, there must be an arbitrary division of receipts.

The fact is that the packers are in such active competition with each other that not one of them is willing to lose ground to the others in volume of business handled. Accordingly, they watch each other so closely that no single packer is able to increase his purchases inordinately.

The Trade Commission's own figures, however, show that Swift & Co. has been able to increase its proportion in four years to such an extent that it slaughtered about 80,000 more cattle in 1917 than if it had not increased its proportion since 1913.

Division of shipments of dressed meats to eastern markets, another matter referred to in the report, was abandoned in 1902.

There is nothing illegitimate or suggestive of conspiracy in restrain of trade in the fact that the packers have maintained a joint fund for mutual protection from unfair attacks against their oleomargarine business. Associative action among competitors for such purposes is found in many trades.

The suggestion that the Government operate branch houses of the packers as public markets is impracticable and visionary and indicates how little the Trade Commission understands the relation between branch-house organization and large-scale packing units, or the extent to which the efficiency of branch-house operation depends on skill, experience, and personal initiative. To attack branch-house organization as giving the large packer an advantage over the small packer is merely to attack bigness in itself with its resulting efficiency and indispensable service.

The Federal Trade Commission, even by purposely omitting all facts favorable to the packers, has failed to prove that the packers are in combination. They are in active competition with each other and have no control over prices.

#### STATEMENT OF SWIFT & Co.

Swift & Co. rejoices that through its long experience in the packing industry it has been able to develop such large and efficient packing units and nationwide, and even international, distributing organizations as to have been able to serve our Armies abroad and the armies and civilian populations of the allies during this period of war emergency. Because of our extensive facilities we have been able to accept orders for millions of pounds of meat from the Food Administration and begin shipment of such orders within a few hours after they have been received.

At this time governmental as well as industrial energies should be centered on those things which facilitate our war activities. If the recent report of the Federal Trade Commission on the packing industry should result in drastic Government experiments in the handling of that industry, the results might be serious, from a war-time standpoint. We do not believe that the report will result in any such drastic measures; even so, it tends to throw discredit on an essential industry; it arouses suspicions in the mind of the public and it, possibly, lessens confidence among live-stock producers, some of whom may for this reason slacken their efforts to continually increase meat production.

The report of the Federal Trade Commission states that the five large packers are in combination in restraint of trade. Swift & Co. is in open and active competition with all other packers. Although a department of the Government naturally carries a great deal of authority in such a matter, and although the report of the Trade Commission may sound plausible to a great many readers—especially those who have never studied the packing business—we believe that we can prove to any unprejudiced person that the facts and insinuations in the Trade Commission's report do not substantiate the charge that there is monopoly in the packing industry.

It should be understood in the first place that the whole investigation of the Trade Commission has been a one-sided affair. Probably no big American industry has ever been subjected to such scrutiny without having been given an opportunity to present its side of the case or to explain data and correspondence gleaned from the private files of its executives. At the beginning of the investigation during the summer of 1917 the Trade Commission promised a fair hearing to the packers before any report was published. Aside from five general questions that were submitted in writing to Swift & Co. and answered over a year ago, this company has had no opportunity to be heard. It has been an ex parte investigation from start to finish.

The Federal Trade Commission's report is adroitly constructed. It succeeds in imparting a glamor of importance and insignificance to trivial matters; it describes occurrences which are perfectly reasonable, legitimate, and ethical in themselves in such a way as to suggest ulterior motives and purposeful wrongdoing; it quotes letters and fragments of letters in such a way as to give a totally wrong impression concerning the relations between the large packers; and it has failed to use hundreds of letters which might have been taken from our files showing keen competition and rivalry among the packers, where it took one that by sinister construction seems to indicate collusive action.

## IMPORTANT FACTS OMITTED.

The investigation of the packing industry was supposed to have been a complete and dispassionate one. Unfortunately, however, on account of its one-sided character, it neglects to mention many fundamental and significant facts that one would expect to find in such a report.

The Trade Commission never mentions, for example, that the packing industry has been operating under license and has had its profit limited by the Food Administration since November 1, 1917. It says nothing about the important part that we have played in the development of the live-stock industry and in the supplying of all parts of the country with a continuous supply of fresh and wholesome meats. It says nothing about the low unit costs of preparing and shipping meat to market due to large-scale production and elimination of waste. It says nothing of the minuteness of our profits per pound of product handled, a circumstance which destroys the popular notion that packers' profits account for high prices of meats.

In attempting to prove that the five large packers are working together the Trade Commission neglects to mention numerous evidences that active competition exists. It says nothing of the rivalries evident from correspondence gleaned from the packers' files; it says nothing of the relation between live-stock prices and dressed-meat prices and how their concurrent fluctuations offer as good an illustration of the law of supply and demand as can be found in any trade; it says nothing of the fact that packers' profits fluctuate from week to week, and that during the year ended June 30, 1917, Swift & Co. lost money on its beef operations during 13 out of 52 weeks.

The report fails to say that competition is evident from the fact that retail buyers shop around from the branch house of one packer to the branch house of another, finding differences in prices for qualities desired; it says nothing about the competition of shippers and speculators in the principal live-stock markets; it says nothing about the competition between markets, which automatically keeps prices in line in different sections of the country and makes impossible any manipulation of live-stock prices; it does not explain that fresh meat is a perishable commodity that has to be sold within a few days for whatever it will bring; it never even considers war-time problems, and the important part that the packing industry is playing; in short, the commission avoids the presentation of all facts and circumstances that definitely controvert the thesis that it tries to establish.

## THE SPIRIT OF THE REPORT.

From a scientific point of view it is unfortunate that such an important Government document should so definitely reflect the temper of its authors, and should contain such glaring instances of prejudice. Before analyzing the main body of the report, the following enumeration of some of the most conspicuous examples of misleading presentation of facts will serve to illustrate the spirit in which the report was prepared.

On page 14, it says that "Armour is the only one of the big packers who appears to be interested in the grain trade, although James A. Patten, a large stockholder of Swift & Co., is also one of the important factors in the cereal markets." The implication is that Swift & Co. has interests in the grain trade. Mr. Patten happens to be a stockholder of Swift & Co. for investment purposes, just as he is a stockholder in other corporations. He has nothing to do with the management of Swift & Co., and Swift & Co. has no interest in the grain trade.

On page 39 (and referred to on p. 9) there is reproduced part of a letter written by a committee of "confidential employees" of Swift & Co. before the Trade Commission investigation began, in which it is said, "We believe that as it stands to-day nothing could stop criminal prosecutions." The inference is that representatives of the packers believed themselves guilty and subject to prosecution; the fact is that all this committee meant was that the attitude among certain stockraisers and among radical Congressmen in Washington was such as to indicate that they would probably attempt to bring about criminal prosecution.

On page 41, the Trade Commission gives the three following principal causes of violent fluctuations in the price of live stock: First, collusive manipulation by the packers; second, disagreements among the packers; third, raising prices in a particular market to keep out a competitor. Lack of evidence to sub-

stantiate these reasons will be shown in this analysis; the matter is mentioned here to indicate the absolute failure of the commission to consider the fundamental economic principles underlying the formation of market prices, such as fluctuating receipts of live stock and the varying demand for meat.

In connection with this question of price fluctuations, the commission quotes on the same page from an official of the American National Live Stock Association to the effect that price fluctuations are serious because "fully three-quarters of the cattle are bought on the days of heavy receipts, reducing the average cost far below the average daily prices." Previous to recent regulations by the Food Administration, the bulk of receipts arrived at market on Mondays and Wednesdays; this quotation infers that the prices on those days are lower than the prices on other days. The Monthly Crop Report of the United States Department of Agriculture for January 31, 1916, says: "An examination of the market quotations for the bulk of sales of beef cattle by days of week indicates that quotations rule highest on the days of largest receipts; that is, on Mondays and Wednesdays, and lowest on days of smallest receipts." A study of daily hog prices for 1917, as published in the Drovers' Journal Yearbook, shows that average prices for all Mondays and Wednesdays throughout the year, were slightly higher than the average prices for the other days. This indicates that the Trade Commission must have a very imperfect grasp of live-stock prices.

#### THE PART PLAYED BY MR. HENNEY.

The Trade Commission upholds and praises the work of Francis J. Heney, who was employed as a special attorney during the course of the investigation. Mr. Heney's sensational methods, his unfair use of testimony drawn from prejudiced witnesses, his device of holding hearings to make public his insinuations without giving the packers an opportunity to present their side of the case, and his frequent announcement of serious charges that were not substantiated by fact, are too well known to need comment here. We submit that when the attorney of the Trade Commission publicly charges the packers with collusion on Government contracts, whereas the only basis for such a charge was that they were called into conference by, and in company with, officials of the Food Administration—conferences expressly sanctioned by the President of the United States—there is no reason to expect fair and impartial results from that portion of the investigation in which Mr. Heney took part.

#### EXTENT OF PACKERS' INTERESTS.

The foregoing incidents, which might be multiplied indefinitely, are unimportant in themselves, but they indicate the general spirit of the report. To proceed with the line of argument used, the commission tries to show the extent of the interests of the five large packers by saying that they account for about "70 per cent of the live stock slaughtered by all packers and slaughterers engaged in interstate commerce;" that they have extensive foreign interests; and that they have reached out into other fields which have no relation to the packing business.

*Proportion of total meat business.*—The commission claims that the packers juggle figures by saying that the five largest account for only 33½ per cent of the total meat production of the country, because in such an estimate they include all animals slaughtered on farms. Mr. Hoover, in a recent public statement, said that the large packers accounted for less than 40 per cent of the total meat supply of the country. The commission overlooks the fact that the large packers sell meat in small country towns all over the United States, and that they come in direct competition with home-killed live stock; also, that home-killed meats constitute a potential competition that affects live-stock and meat values in the most distant cities.

Be that as it may, and assuming that the five large packers account for approximately 70 per cent of the total interstate slaughter, this is nothing alarming when it is considered that this business is done by five companies in competition with each other—a situation that will be established in the course of this analysis. There are many industries in the country where a single corporation accounts for as large or a larger proportion of the total output as do the five large packers together.

The fact the large packers have heavy foreign interests will, of course, be readily admitted, but this is of little consequence in an argument to prove

that monopoly exists. The statement that the packers have reached out into other fields, however, is worthy of consideration, because the commission implies that there has been no justification for so doing, and that the only object has been to get control of the food supply of the Nation.

*Butter, eggs, and other products.*—Swift & Co. has gone into no field that is not closely related to the packing industry, either in the utilization of by-products or in the utilization of its vast selling organization, which was developed primarily to take care of its meat business. The handling of such commodities as butter, eggs, cheese, poultry, and canned goods has been prompted by the needs of its customers and by the desire to use most economically its system of branch houses. The greater the volume of merchandise we can put through our elaborate distributing organization the lower the unit marketing costs, and the smaller the "spread" between farm prices and consumer prices, not only on butter, eggs, etc., but on meats as well. The reason that we have developed such a large volume in these products is that we represent a more economical and efficient method of marketing than is afforded by other marketing agencies. Furthermore, our system results in direct shipment in car lots from country collecting points to city distributing stations; it avoids rehandling and reshipping, and the goods go through in better condition; they are more uniform in quality; and there is less loss from waste.

*Hides and leather.*—The commission says that the large packers hold a dominant position with reference to hides and leather and that they tan a large part of the leather produced in the United States. The large packers naturally supply the same proportion of hides as of animals that they kill, or less than 40 per cent of the total domestic supply. Two or three of the largest packers have their own tanneries, in order to insure a steady outlet for a part of their hides rather than be obliged to depend on the vagaries of the hide market. They tan less than 25 per cent, however, of the leather produced in the United States.

The Trade Commission gives a wrong impression when it says that the large packers have an advantage over independent packers and butchers because their hides are arbitrarily given a higher grading, as "packer hides," whereas the others are known as "country hides." This distinction results merely from the fact that tanners value packer hides more highly than country hides, due to the fact that packer hides are removed from the animals and cured more skillfully and uniformly, and hence are of better quality; for this reason only are the packers responsible for the higher value of their hides. The packers are also accused of hoarding hides during 1917, whereas the truth is that they sold more hides than ever before and got rid of them as rapidly as the market would absorb them at constantly falling prices.

#### INSTRUMENTS OF CONTROL.

The trade commission argues that the large packers achieve control of the industry through ownership of stockyards, refrigerator cars, and cold-storage plants, through their branch-house distributive organizations, and by means of interests in banks and real estate.

*Ownership of stockyards.*—The functions of stockyards are generally misunderstood. They are market places supplied with pens for the animals and with watering and feeding facilities. Live stock arrives at the yards consigned to commission men, who sell to the buyers of the packers and to shippers, dealers, and speculators. Every packing center must have proper and efficiently operated yards in order to care for the animals. The principal reason that the packers have become interested in the yards has been to provide such proper facilities. Investment in stockyards, except in the very largest markets, is not attractive enough to invite outside capital. Packer ownership has resulted in the development of efficient market places that would not otherwise have existed.

Packer ownership of stockyards gives no control over prices of live stock and no control over the commission men in the yards. Yardage and feed charges are reasonable, and they are uniform to all patrons. Swift & Co. is proud of what it has done to help the live-stock industry, as well as itself, by developing efficient stockyards. Only recently Government regulation of yards has been established under the Bureau of Markets, United States Department of Agriculture. Furthermore, Swift & Co. would be perfectly willing to relinquish its interest in stockyards if the public demands it, especially if the continuance of their efficient operation can be guaranteed.

*Refrigerator cars.*—It is true that only a large concern with a Nation-wide organization can think of operating refrigerator cars in large numbers. The only reason that Swift & Co. ever embarked in this enterprise was that the railroads refused to furnish the cars. Swift & Co. has a fleet of nearly 7,000 such cars, and they form an integral part of the service rendered the public. We distribute these cars in accordance with our needs in various parts of the country, and in order to facilitate their movement we have them closely followed up to see that none get sidetracked or delayed. Swift & Co., however, would have no objection to their being taken over by the Government, especially as they have been a losing proposition financially to the company for several years. The only question that should be considered at present is this: Could Swift & Co. ship over 1,000 carloads of meat in a single week to the American Army at home and abroad and to the allies (as it did during a recent week) as punctually and efficiently under Government ownership of refrigerator cars as under the present system?

*Cold-storage plants* are necessary in the handling of perishable products, especially those of seasonal production. The holding of goods from seasons of bountiful supply to months of scarcity is an economic necessity and is specifically permitted by the Food Administration. Swift & Co. rents space to other dealers during those seasons of the year when it does not use its full capacity with its own products; during the heaviest storage periods we do not have enough space for our own products, and hence we have to store large quantities in public warehouses. The packers own but a small proportion of the total cold-storage capacity of the country.

*Branch houses.*—Branch houses are located in all large towns throughout the country and are necessary for the proper holding and distribution of the commodities sold. They are a necessary adjunct to large centralized packing plants, because under this system goods have to be marketed in far-distant localities. Of course, only a large company can undertake Nation-wide distribution through such branch houses, but the branch-house organization in itself furnishes one of the best evidences of competition among the large packers. In addition to the five largest packers there are a number of others that are large enough to maintain branch-house selling organizations; in the large cities there are always a number of packers represented. Retail butchers, in buying their meats, shop around from the branch house of one packer to those of the others, making their purchases where prices are lowest for the qualities desired.

*Banks and real estate.*—The Trade Commission has gone to absurd extremes in trying to connect Swift & Co. with important banking interests. Many of the banks listed in the report, in which Swift interests are represented, are small neighborhood banks, in which members of the Swift family or employees of Swift & Co. have small personal investments. In so far as those who are connected with Swift & Co. are also interested in cattle-loan banks, they are satisfied that they have helped the live-stock industry by providing borrowing facilities for live-stock raisers and feeders, and by popularizing live-stock paper. We submit that there is nothing in this charge that indicates monopoly or undue control of live-stock facilities; the same applies to the references to ownership of real estate.

#### EVIDENCE OF COMBINATION.

The Trade Commission bases its conclusion that the large packers are in conspiracy to restrain trade on the ground (1) that they are largely under the management of the same families that established them, and that ownership rests in the hands of relatively few people; (2) that they jointly own various properties; (3) that the packers once had "beef pools"; (4) that memoranda from the files of Mr. G. F. Sulzberger indicate that he had interviews with other packers along about 1913 and 1914 concerning meat shipments; (5) that the percentages of live-stock receipts bought by the different packers remain approximately constant over a period of time and in individual markets; (6) that the large packers divide their foreign business; (7) that correspondence indicates that one of the packers tried to manipulate the cheese market in Wisconsin; and, finally, (8) that the packers maintain joint funds to defray expenses undertaken in common.

The commission's case rests on the accuracy of these charges, and the extent to which they prove that the packers are actually in combination with each other. If it can be shown that there is nothing in these charges to prove conspiracy, the elaborately constructed case of the Trade Commission falls to the ground. These points will be considered in turn.



(1) That the management of the large packers is largely in the hands of the families that established them—a fact which is a source of pride to those families—proves nothing in itself. That the ownership lies in the hands of relatively few people proves nothing except that it would be easier for them to get together than if the ownership were more widely dispersed.

(2) The joint ownership of properties is greatly exaggerated by the Federal Trade Commission. There are cases where a part or the whole of the capital stock of certain stockyards, cattle-loan banks, and other facilities is owned by two or more packers. In other words, financial resources of large packers have in some cases been combined to establish facilities that otherwise did not exist or that existed in imperfect form. Swift & Co submits that in so far as it owns stock in corporations in which other packers also own stock, this does not represent evidence of combination among the packers to restrain trade or to influence prices. If there is anything in this that is incompatible with the public interest, we shall be glad to make any adjustments advised by any competent and impartial tribunal that may be designated by the Government.

(3) The fact that the packers once had "beef pools" is not germane. The "beef pools"—that is, the arrangements whereby the quantity of beef that could be shipped by each packer to various large eastern markets—were discontinued in 1902. Although public opinion would probably not countenance such arrangements at present, they were undoubtedly of benefit to the public at large in that they helped to avoid recurrent gluts and scarcities in eastern markets, and tended to steady prices.

(4) Evidence that Mr. G. F. Sulzberger had interviews with the other packers along about 1913-14 is introduced to convey the idea that there still was some control of meat shipments at that time. There was no control or "pool" or agreed division of meat shipments. If there had been any cooperative arrangement for mutual protection, instead of keen competition, possibly Mr. Sulzberger would not have been so dissatisfied with the business his company was doing as to have sold out shortly afterwards to New York bankers.

Furthermore, the importance of all references to "beef pools," so far as they have a bearing on the present situation, is torn down by the Federal Trade Commission's own admission on page 26 that "there is apparently no 'dressed-meat pool' at the present time such as existed in the nineties, for the reason that it would be as useless as a fifth wheel on a wagon."

(5) Having to abandon the "beef-pool" idea as proof of conspiracy, the Trade Commission is forced to rest its case primarily on the fact that the percentages of live-stock receipts bought by the various packers remain practically constant. This circumstance, together with memoranda and correspondence referring to these percentages, is accepted as conclusive evidence that the packers are in a definite conspiracy to divide live-stock receipts in definite proportions, and that this enables them to control prices of live stock and prices of meats.

We admit that the percentage purchased by each packer remains fairly constant, and that, on the face of it, this might appear to one outside of the packing industry as suggesting collusion. To one in the packing industry, however, it is merely an indication of keen competition and rivalry among the several large packers.

We, Swift & Co., are very jealous of the other packers in the various markets, and do not intend to let these concerns increase their businesses at our expense. We keep a weekly record of the receipts of live stock in the different markets, and figure out the percentage of total receipts that we obtain and compare that percentage with the percentage of total receipts for the same week during the previous year. We measure our success in maintaining our position by continuously making such comparison, and we follow carefully what the other packers are doing.

Undoubtedly the other packers feel exactly the same way toward us and measure their success and progress in a similar manner. We are constantly striving to increase our percentage of the business, but any other packer naturally would not willingly permit us to greatly increase our percentage of the business at the expense of his volume.

The only way we could do so would be to pay prices high enough above the market to get more than our usual volume; but since, due to competition, dressed meat is handled on a profit of only a fraction of a cent a pound, it would be a disastrous thing for us to attempt. Even if we should attempt it, other packers would undoubtedly prevent us by meeting our competition and suffering losses rather than permit us to permanently get part of their trade.

Viewed in its proper light, therefore, the bugaboo of approximately constant percentages turns out to be an evidence of rivalry and intense competition. On account of the close observation of each other's purchases, no single packer is able to substantially increase his business at the expense of the others.

Nevertheless, the percentages taken by the different packers do vary to a certain extent from month to month and from year to year. In the table shown on page 27, Swift & Co.'s percentage of total cattle purchases increased from 33.90 per cent in 1913 to 35.07 in 1917, an increase of 1.17 per cent in four years; this apparently slight increase meant that in 1917 Swift & Co. slaughtered about 90,000 more cattle than if it had not increased its percentage over that of 1913.

In addition to this explanation of the reason why percentages remain constant, Swift & Co. absolutely denies that it is in agreement with other packers with regard to the division of live-stock receipts. No evidence is presented by the commission as proof of such an agreement, and the letters bearing on this subject, when properly interpreted, indicate rivalry and a desire on the part of each packer to at least hold his own in the different markets.

(6) With this matter explained, there remains practically nothing on which the Trade Commission can base a claim of monopoly. So far as the division of foreign business is concerned, it is true that the large American packers, together with certain foreign companies, have had arrangements for years providing for the proportion of total shipments that each should carry between South America and England. Such a division of business was not only justifiable because it helped to make more regular the receipts of perishable meats in England, but the arrangement is countenanced by British law, and has nothing to do with the problem of trade restraint in the United States. Furthermore, this arrangement is similar to the form of cooperation specifically permitted by the recent Webb bill, which is intended to encourage exportation on the part of competing firms in the United States.

Before the European war began and after the United States import duty on fresh meat had been removed, Swift & Co. (through the Swift Beef Co., of London) made a contract with the Lamport & Holt Steamship Co. (a British company) providing for a certain amount of space to be used by Swift & Co. in shipments from South America to the United States. Such a contract was made necessary by the fact that there had been practically no refrigerated shipping space in the South America-New York trade, and that Lamport & Holt was the only line to equip itself with the necessary refrigerated vessels to give regular service. This contract was made independently by Swift & Co., and does not represent in any way an agreed division of shipments with the other packers. Shipments to the United States have been limited only by amount of steamship space offered, and Swift & Co. has continuously been in the market for all space obtainable.

Our London representatives have always been under instructions not to enter into agreements with other packers involving division of shipments to the United States. To-day there are no shipments of refrigerated meat from South America to the United States because of insufficiency of refrigerated vessels, and shipments to England are controlled by the British Government.

(7) Correspondence presented by the Trade Commission indicates that one of the packers had attempted to influence the price of cheese on one of the "cheese boards" in Wisconsin. In quoting this correspondence, an attempt is made to implicate Swift & Co. by stating in parentheses (without explanation that the parenthetical remark was added by the commission itself) that Swift & Co. buys four-fifths of the sales of a certain concern mentioned in the correspondence. Swift & Co. has no financial interest in the concern named; it buys over 90 per cent of its Wisconsin cheese purchases from wholesale dealers in whom it has no financial interest and the remainder direct from cheese factories. It buys none on the cheese boards in that State. It has never tried to affect the quotations on the cheese boards and has never been in conspiracy with other packers or dealers to do so.

(8) There remains only the statement that the packers have maintained joint funds to defray expenses undertaken in common as proof of conspiracy. It is true that the five packers have maintained a joint fund referred to by the Trade Commission as "the oleo pool," but the expenses incurred under this arrangement have been to afford adequate protection against unfair attacks made against the oleomargarine business and the use of this product. It is a very common occurrence for competing manufacturers in various trades to adopt associative action for protective purposes; we see nothing

reprehensible in this arrangement, especially as it has nothing to do with prices or division of business.

There are other cases in which the attorney of Swift & Co. has prorated the expenses of the large packers in legal cases where two or more packers were involved; attorneys of the other packers have often acted in a similar capacity. We submit that there is nothing in an arrangement of this sort that can possibly prove that the packers have acted in restraint of trade.

*Conclusions on monopoly.*—The foregoing discussion shows that the points made by the Trade Commission to uphold their contention that a monopoly exists, have no basis in fact, and that they would not only be useless in proceeding against the packers in the courts, but that they do not even represent any infractions of accepted standards of commercial ethics. There may have been instances years ago when the packers acted together in such a way as to indirectly curtail competition and to affect prices. There may also have been instances in the past where individual packers indulged in practices which have during recent years come to be considered "unfair competition." Years ago they probably received reductions from established railroad rates, just as shippers of all commodities did; so far as local price discriminations are concerned, however, Swift & Co. has been very careful to reduce prices only when forced to do so to meet competition, and not to destroy competitors.

The packers are also accused of abusing their power by acquiring stock in and operating "bogus independents." Swift & Co. owns stock in a great many corporations that are not operated under the name of Swift & Co., although the policy of the company has been to gradually bring its interests under that name. Swift & Co. is interested in such corporations not for the purpose of carrying out destructive competitive policies, but has acquired them to extend its own facilities and improve its service. Here again Swift & Co. would be glad to make any reasonable adjustments requested by any independent and impartial tribunal that might be designated.

If the Trade Commission has definite evidence that the packers are guilty of unfair trade practices, the Trade Commission has ample power to eliminate these practices. It is Swift & Co.'s policy to live up to both the letter and the spirit of the law, and we know that we are conducting our business honestly and in active competition with all other packers. We also believe that an unprejudiced study of the Trade Commission's report and the foregoing analysis of its evidence will prove conclusively that there is no ground for the charge that the packers are conspiring together in restraint of trade.

#### RESULTS OF ALLEGED COMBINATION.

*Packers' profits.*—The Federal Trade Commission says that the packers have extorted excessive profits from the people of the United States, especially during war times, but does not explain how small these profits are as compared with sales and that they amount to only a fraction of a cent per pound on meats. A fair interpretation of packers' profits proves conclusively that they are an infinitesimal factor in prices, and that the common impression that high meat prices are due to packers' profits is utterly without foundation. It would seem that one of the vital and fundamental questions an investigation of the packing industry ought to reveal would be, What are the effects of packers' profits on prices?

Although the report states that the 1917 profit of the five large packers amounted to 21.6 per cent of their net worth, the commission failed to explain that it was very fortunate, not only for the packers but for the country, that their earnings offered some assistance in financing the larger operations and heavy high-priced stocks of goods caused largely by the war. Swift & Co.'s inventories of goods in process and on the way to market averaged about \$50,000,000 before the war; to-day they amount to about \$150,000,000.

We do not consider that our book profits of the past few months have been permanently earned, because they have been tied up so largely in these inventories which are bound to decrease in value at some time. Only reasonable dividends have been paid and even with the remainder of our profit reinvested in our business, we have had to issue additional stock to raise more funds to finance operations. The difficulties of war-time financing of a business that has to be run largely on borrowed money might well have been explained by the commission in its report.

Profits have been only large enough to maintain efficiency, and any drastic reduction of the profit now allowed by the Food Administration would undoubtedly result in making it impossible for some of the less efficient packers to continue in business.

## RECOMMENDATIONS OF THE COMMISSION.

*Live-stock cars.*—The first recommendation of the commission is that the Government acquire, through the Railroad Administration, all live-stock cars owned by the packers. It intimates that the ownership of stock cars gives the packers a certain power of control and a manipulation of the means of transportation. During 1917 less than 1 per cent of the receipts of live stock in Chicago arrived in stock cars owned by the five large packers. It is true that Swift & Co. owns stock cars which are used in hauling animals from the Middle West to plants on the Atlantic coast through territory where the railroads do not operate stock trains as regularly as in the West. These cars are now under the supervision of the Railroad Administration, and Swift & Co. is perfectly willing to relinquish its ownership if the Railroad Administration believes that service can thereby be improved. They form an extremely insignificant factor in the operations of Swift & Co.

*Stock yards.*—The second recommendation is that the Government acquire the principal stockyards of the country through the Railroad Administration. As already explained on page 13, Swift & Co. has become interested in stockyards for the purpose of improving marketing facilities. Ownership of yards gives no control over the prices of live stock or the methods of trading. Although all stockyards have recently been brought under the control of the United States Department of Agriculture, here again Swift & Company would be willing to part with its ownership if a continuation of the present standard of efficient operation can be guaranteed.

*Refrigerator cars.*—The third recommendation is that the Government acquire all privately-owned refrigerator cars through the Railroad Administration. The reasons why Swift & Co. owns refrigerator cars were explained on page 14. It is also pointed out in that place that our cars are under the supervision of the Railroad Administration and that we would be perfectly willing to relinquish ownership if it can be shown that service during war times can thereby be improved.

*Branch houses and storage plants.*—We believe that the fourth suggestion of the commission that the Government acquire branch houses and cold-storage plants belonging to the packers is an impracticable one, in that it would destroy individual initiative, result in poorer handling of meats, and prove more costly. Branch houses are an essential part of a system of which large centralized packing plants are the basis. The operation of a branch house requires skill and initiative on the part of an experienced manager, and the efficiency of the organization would suffer if they were made into public markets with the manager responsible only to the Government.

In one sense the branch-house system gives the large packer an advantage over the small packer, who can not afford such an organization, but to attack the packers on this score is to attack mere bigness—bigness that has made possible the development of this efficient form of marketing which has been of inestimable value to the public at large.

## CONCLUSION.

It has been shown that the Federal Trade Commission, in spite of clever use of the complete and intimate data to which it had access, has not been able to prove that the large packers are in a conspiracy to restrain trade and to manipulate prices. Not only has the commission failed to establish a case against the packers, but Swift & Co. proclaims to the world that it is in active and honest competition with all other packers.

The packing industry consists of a great number of competing units, some large and some small. A few are big enough to achieve the economies and render the broad and efficient service resulting from nation-wide organization. Scores of smaller packers offer effective competition in their more localized yet prosperous efforts.

Competition, bigness, an open field for small producers—what other industry approaches more nearly the American ideal of business organization?

## APPENDIX.

[New York Times, New York, N. Y., Aug. 10, 1918.]

However the matter is looked at, there is a scandal in the charges against the meat packers by the Federal Trade Commission. If the charges are true, no honest man would object to punishment to fit the crime, when proved. If

the charges are false, the scandal is in the publication of such an attack on one of the greatest agencies for winning the war, and appropriate punishment for the Trade Commission's bearing false witness would be in order. Caution is necessary in taking the charges as facts, for on the same day that the charges are made disproof is published regarding another scandal which was taken as truth too easily. \* \* \*

The Trade Commission's report is not necessarily malicious, even if untrue. It bears current date, but really is a survival of the time when each city slaughtered for itself. There are New Yorkers who remember when there were slaughter houses on almost every block and when it was a custom of school children to cluster around them to see the sights, while the blood filled the gutters. The commission's report relates to that juvenile stage of the industry, which it would like to restore, for the benefit of the neighborhood butchers who have suffered for the superior efficiency of central supply. \* \* \*

[Boston Transcript, Boston, Mass., Aug. 9, 1918.]

The probe of the packing industry of the country by the Federal Trade Commission has resulted in a report to the President which consists of sensational charges and revolutionary recommendations.

\* \* \* Now is not the time to discuss much less initiate economic revolution predicated upon conditions that certain doctrinaires believe will confront us when the war has been won. It may be that the new world into which we shall then enter will require all the Government acquisitions which the commission now urges upon the President to make, but there are those—and their number is by no means small—who prefer before taking the leap to supplement with expert opinion the quack judgments of the political "hand-me-downs" who at present constitute the controlling force in the Federal Trade Commission.

[San Francisco Chronicle, San Francisco, Cal., Aug. 10, 1918.]

All these charges involve questions of fact to be proved or disproved before a tribunal which hears evidence on both sides. \* \* \*

On the other hand, the Trade Commission is an accusing body which has sometimes shown animus, whose result is that the public can not assume guilt in all who fall under its condemnation. \* \* \*

[Baltimore News, Baltimore, Md., Aug. 9, 1918.]

It is not necessary to be a sympathizer with Swift & Co., Armour & Co., et al., to find in the Federal Trade Commission's report on their business some remarkable statements and recommendations. \* \* \*

These practices, if actually indulged in and if the terms by which they are described have the accepted meaning, are covered by the antitrust statutes \* \* \*. The commission uses language that the courts have been unable to substantiate. Is that an advisable, even if it were a warrantable, thing to do at a time when the Government should be trying to keep public sentiment on an even keel?

[Newark News, Newark, N. J., Aug. 9, 1918.]

\* \* \* And the last move—the recommendation of the Federal Trade Commission that the Government monopolize all departments of the industry except the actual packing—looks like a gesture of despair.

This is war time, and the first need is to guarantee that the meat products handled by the five great major groups of packers be kept moving steadily to supply the Nation's fighters and civilians and the Nation's allies. It is not contended that there has been any lack of efficiency in the performance of this huge task which has been carried on by the packers—recently under government direction. \* \* \*

[St. Louis Times, St. Louis, Mo., Aug. 9, 1918.]

The packing-house matter, however, appears to be entirely different. There doesn't seem to be any question of military necessity involved. Whatever military necessity has existed has been met by the packers with success amounting to a triumph. It would have been quite impossible for Secretary Baker to move a million men to France and feed them, to say nothing of the millions of English and French, without the well-nigh perfect system developed through many years by American packers.

[New York Tribune, New York, N. Y., Aug. 10, 1918.]

Yet this letter is not forwarded to the Department of Justice for action or sent to Congress with any recommendations. Is it that the President believes that these sensational charges are untrue and unsubstantiated? Are the packers to be indicted before the public upon groundless accusations? Are we to have a repetition of the aircraft "scandal" and the Hog Island "scandal"?

The public has no way of judging as to the truth of these matters. It seems as if it might expect from the Government its careful judgment upon the charges, instead of having them flung about to inflame all the discontented and trouble-making elements of the country.

[Rocky Mountain News, Denver, Colo., Aug. 9, 1918.]

Mr. Heney was employed by the commission to conduct the "investigation" of the packing industry brought by the commission, and it has not escaped public memory the manner in which he staged the hearing, following in the main the scenario of a moving-picture production—breaking into safes, rushing into court at all hours, seizing papers, and other spectacular stunts, with Mr. Heney always catching the spot light.

When the preliminary report was published regarding the profits of the packing companies it was evident that the chief aim was to make political capital out of the whole proceedings. Figures under the adroit handling of a Heney can be made to tell anything.

This report is a political document to be used in the autumn campaign.

Seriously, is it not time to call a halt? Are we not hastening our course toward Bolshevism that laid Russia low and made it an easy prey to the enemy?

[Chicago Evening Post, Chicago, Ill., Aug. 13, 1918.]

Political and economic adventuring is dangerous enough in days of peace; it is lunacy at an hour of high crisis in the country's history.

Francis J. Heney furnished the material upon which this report is based after a prolonged fishing expedition, improperly dignified as an investigation. Mr. Heney paraded his catch in the columns of the press, using the magnifying glass of his imagination to make minnows look like whales and sardines like sharks.

Even were we to accept the construction placed upon facts and alleged facts by Mr. Heney we would still find ourselves unable to agree with the conclusion reached by the commission.

On the other hand, it may be shown beyond question that the business of feeding our Army and Navy has been marvelously facilitated by the efficient methods of the packing industries.

[Grand Forks Herald, Grand Forks, N. Dak., Aug. 9, 1918.]

It is unfortunate, however, that the reports of the commission on some of these matters have not always been such as to inspire confidence or command respect. Some of its pronouncements in connection with the meat industry have been such as to cause distrust, because they have been rather in the nature of appeals to the emotions than sober statements of material facts which would aid to an intelligent understanding of the situation.

ANSWER TO STATEMENT OF SWIFT & CO., ISSUED AUGUST 19, 1918, ON SUMMARY OF THE REPORT OF THE FEDERAL TRADE COMMISSION ON THE MEAT-PACKING INDUSTRY OF JULY 3, 1918.

The Federal Trade Commission has no desire or intention to enter into a controversy with Swift & Co. regarding the commission's report on the meat industry. It is content to let its report speak for itself.

In view, however, of the time necessary to prepare for publication the detailed parts of the report, the statement of Swift & Co. criticizing the summary of the commission's report may be briefly examined at this time.

1. Swift & Co. prefaces its statement with an abstract, the first paragraph of which says:

"Swift & Co. proclaims that it is in active competition with all other packers and can prove that the Federal Trade Commission has failed to establish its statement that the packers are in combination in restraint of trade."

It has been definitely proven through the records and correspondence of the packers themselves that a combination exists between the five principal packers as shown by the agreed division of receipts of live stock, by uniformity of prices on split shipments, by combined action in influencing daily the live-stock market, and in other ways. Only a small part of the evidence was given in the summary of the commission's report.

There is no question but there has been jealousy among the packers and attempts to step over these collusive gentlemen's agreements. Bad faith among themselves does not in any way release them from the onus of proven charges of combination as against the public.

The live-stock combination here referred to is a basic one which has the effect of restraining competition throughout the entire field of the packers' business in meat and by-products from live stock. For if the packer can not increase his proportion of the raw material he can not increase his proportion of saleable products therefrom and consequently has no object in pricing his products competitively.

2. The second paragraph of Swift & Co.'s abstract of its statement is as follows:

"Swift & Co. is glad that it has developed an organization which has been able to take care of war business and it does not believe that this is a time for the Federal Trade Commission to suggest drastic Government experiments or to throw discredit on an essential industry."

The fact that Swift & Co., with the other four packers, have been supplying the war demand of the Government has not been denied and no drastic experiment has been suggested, nor has discredit been thrown on an essential industry. Criticism of abuses is something entirely separate and apart from such procedure. If the industry has been discredited, it is due to the packers' own activity. The remedies suggested by the Federal Trade Commission do not in the least interfere with the operation of the packers' slaughtering plants nor with their efficiency in distribution of their packing-house products. This will be shown in the comment on a later paragraph of Swift & Co.'s abstract. One of the purposes of the commission's recommendations was to stimulate production for war needs and to insure reasonable price levels as an aid in winning the war.

3. The third paragraph of Swift & Co.'s abstract says:

"The Trade Commission's investigation was a one-sided affair; the packers were given no chance to present their side of the case; the report is so constructed that it imparts a glamour of importance and significance to matters that are trivial; the whole report is biased and presents many matters in a false light."

The packers were given opportunity to present their side of the case at the beginning of the inquiry, when they were requested to file briefs and to give fully their views on the principal complaints which had been responsible for the institution of a public investigation of the industry. The briefs of those packers who availed themselves of this opportunity were fully and duly considered by the commission.

As to the public hearings conducted by counsel for the commission, those hearings were not in the nature of an adversary proceeding but were in the nature of an inquiry, in which the commission avoided giving immunity to the packers.

As to bias or triviality, the summary of the commission's report and the data upon which it is based must be the best evidence.

4. The fourth statement in Swift & Co.'s abstract is as follows:

"The commission presents only such facts as it could use by adroit construction and inference to appear to substantiate the thesis it set out to prove. It omits scores of salient facts which prove that the packers are in competition with each other; that the profits are so small as to have practically no effect on prices; that the packers have performed an indispensable service to the country during peace and war times."

The Federal Trade Commission did not set out with the idea of substantiating any thesis. Under its oath of office, under the law, and the specific charge of the President it set out to ascertain the facts, and it has done so.

An investigation of this sort would naturally be directed to the examination of wrongful practices, if any, and public injury resultant therefrom. The packers have been careful in their relations with one another to maintain more or less of an appearance of competition. The commission finds, and has so stated in the summary of its report, that this competition, as respects the basic field of their business, is sham instead of real.

Swift & Co.'s widely advertised statement that profits are so small as to have practically no effect on prices is answered in another statement of the commission in this record (p. —).

No one questions the utility of the large packing houses in supplying the great consuming centers with meat products, the bulk of which could not be produced locally. Nor is the supplying of meats upon a large scale to the Army in question.

5. The fifth point in Swift & Co.'s abstract is this:

"The commission failed to mention that the packers are now operating under Government supervision and that their profits have been limited by the Food Administration since November 1, 1917."

Nothing in the present Government war supervision touches directly the sources of monopoly. Moreover, only part of the packers' profits business is limited, and in other lines of their activity no limit is placed.

At the request and in aid of the Food Administration, the commission's accountants are preparing an adequate system of financial accounting, and it is expected that the new uniform basis of profit reports to the Food Administration will be ready to be installed on November 2, 1918.

6. The sixth paragraph of Swift & Co.'s abstract reads as follows:

"In attacking packer ownership of stockyards, the commission does not explain that the principal reason why packers have become interested in stockyards has been to provide proper and efficient facilities for the care and sale of live stock. Such ownership gives no control over prices. Swift & Co. would be willing to relinquish its interest in stockyards if the continuance of efficient operation can be assured. Stockyards are now under the control of the United States Department of Agriculture."

Whatever may have been the reason why the packers originally became interested in the stockyards, the evidence is overwhelming that their ownership and operation of the yards has been oppressive to producers of live stock, to competitors in slaughtering live stock, and harmful to the public welfare.

In the case of the great Chicago yards, the ingenious devices resorted to to conceal packer ownership sufficiently argues compelling reasons for deception.

With regard to the efficiency of the stockyards under packer management, there is evidence showing that unsatisfactory services are rendered.

7. The next statement of the abstract is as follows:

"Swift & Co. owns refrigerator cars because the railroads refused to furnish them. Swift & Co. is willing to leave it to the judgment of the Railroad Administration, which now has general supervision over our cars, as to whether service can be improved by the Government taking them over."

The commission's recommendation suggests the operation of all refrigerator cars as public utilities so as to make the channels of distribution of meat-packing house products and all other perishable food products, free and open, upon payment of reasonable charges, to all packers and other food dealers alike, small as well as large. It believes that this opening up of the channels of distribution will fundamentally improve conditions not only in the distribution of meat and other food products but will increase competition in the manufacturing and handling processes, and, by reaction, will stimulate the primary production of live stock and foodstuffs. No supervision by the Railroad Administration at present runs to these considerations.

The three next paragraphs of Swift & Co.'s abstract give the company's explanation of the practical uniformity of the proportion of purchases of live



stock by the five packers, arguing that these fairly constant proportions are the results of active competition rather than of arbitrary agreement. This point is summed up by Swift & Co. as follows:

"The fact is that the packers are in such active competition with each other that not one of them is willing to lose ground to the others in volume of business handled. Accordingly, they watch each other so closely that no single packer is able to increase his purchases inordinately."

Much evidence of combination and collusive practices in the purchase of live stock is before the commission, but disregarding this, the evidence of agreement as to the percentages of live stock to be bought is conclusive.

The argument that the proportions are the result of competition rather than agreement can not stand. The explanation that the packers "watch each other so closely that no single packer is able to increase his purchases" does not explain the counterfact that when the market is "soft" and the supply exceeds the demand, each packer insists that the other shall take his full proportion of the stock coming to market. Neither does it explain why the same proportions hold substantially true week after week when the number of animals coming to market one week is only one-fourth the number coming three or four weeks later. These results are produced by agreement; they could not follow even fortuitously by competition.

The final point made in Swift & Co.'s abstract rests upon a misinterpretation of the commission's recommendation regarding the branch houses and central distributing markets. This is what Swift & Co. says:

"The suggestion that the Government operate branch houses of the packers as public markets is impracticable and visionary and indicates how little the Trade Commission understand the relation between branch-house organization and large scale packing units, or the extent to which the efficiency of branch-house operation depends on skill, experience, and personal initiative. To attack branch-house organization as giving the larger packer an advantage over the small packer is merely to attack bigness in itself, with its resulting efficiency and indispensable service."

The commission's recommendation is not to take over the business of distributing meat or packing-house products which is now done by the large packers, but to take over such of the places of receipt in which, and such of the facilities by which, this distribution is now effected, as with a proper increase these facilities would afford the independent packers and other independent food dealers, as well as the "big five," to have a place and facilities for carrying on their business of distribution of products in the great centers of population. The channels of distribution are now largely closed to the independents by reason of the control of branch houses by the big packers.

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#### ANSWER OF SWIFT & CO. TO THE FEDERAL TRADE COMMISSION REPORT OF JUNE 29, 1918, ON PROFITTEERING.

##### SUMMARY.

In its report of June 29, 1918, on "Profiteering" the Federal Trade Commission has done the packing industry of the country a gross injustice by making misleading statements with regard to its profits and by making serious charges that are not substantiated by any proof.

Swift & Co. bases its criticism of the Trade Commission's report on the following points:

1. The report contains unfair and inaccurate comparisons of war profits with prewar profits.
2. The report contains an absolute misstatement of fact with regard to the prices of hides.
3. Profit figures are presented in such a way as to give a totally false impression as to their magnitude.
4. The Trade Commission does not mention that profits on meat have been limited by the Food Administration since November, 1917.
5. The report does not mention that it has been necessary for the packers to leave the bulk of their profits in their businesses to finance heavy inventories and to build additions and improvements made necessary largely by war demands.

6. The report definitely accuses the packers of having a monopoly and of breaking the law without giving any facts to substantiate this accusation.

The whole report is a sensational and one-sided affair. It has already aroused protests from leading business men and newspapers against a department of the Government which requires the confidence of business men in order to do effective and constructive work.

## ANSWER OF SWIFT &amp; CO.

If the large packers were in the habit of issuing such misstatements and manipulated figures as appear in the recent report of the Federal Trade Commission on war profits, there might be some cause for the serious and unsubstantiated charges made against the packers by the commission.

The Federal Trade Commission was designed originally to serve a useful and nonpolitical purpose; it has already been used as a stepping stone for political aspirants, and it is degenerating into a vehicle for the issuance of sensational and misleading statements about American business.

There can be no objection to a fair statement or investigation of war profits on the part of the Government, as a foundation for excess-profit taxation, but there can be no excuse for seizing such an opportunity to discredit honest American business concerns, especially those that have done their utmost, and successfully, to meet war demands.

The packing business has kept quiet for so many years under frequent attacks that everyone feels free to make sensational charges against it at any time. Swift & Co. at least does not intend to stand for this kind of treatment any longer, and considers it a public duty to combat false accusations and to give out accurate information. Otherwise the packing industry might be reduced by shortsighted Government interference to the condition that the railroads have been in since the war broke out. No other industry has been able to fulfill war-time demands so promptly and efficiently as the packing industry.

The two most glaring perversions of fact about the packing industry in the recent report of the Trade Commission are the comparison of war with prewar profits, and the insinuation that the packers have been responsible for the high prices of hides and leather. The paragraph on this latter subject includes an absolute misstatement of facts.

1. *Unfair and inaccurate comparison of war with prewar profits.*—In comparing war profits with prewar profits, the Trade Commission figures are inconsistent and misleading and apparently compare a three-year total war profit with a one-year prewar profit. It states that the average one-year profit of four packers for the three years before the war was \$19,000,000, and that the aggregate profit for all three war years was \$140,000,000, showing an increase of \$121,000,000 during the three war years. Such a comparison, which has been given wide publicity by the press of the country, is obviously unfair.

The report also presents the following figures:

Average.		"Excess" profit.		Actual profit (by addition).
Year.	Amount.	Year.	Amount.	
1912.....	\$19,000,000	1915.....	\$17,000,000	\$36,000,000
1913.....	19,000,000	1916.....	36,000,000	55,000,000
1914.....	19,000,000	1917.....	68,000,000	87,000,000
Total.....	57,000,000		121,000,000	178,000,000

The figures in the last column are obtained by adding the "excess" for each year to the average prewar profit. The sum of these shows a total profit of \$178,000,000 for the three war years. Either the figures which total \$178,000,000 or the statement that the total profit was \$140,000,000 is incorrect.

The \$140,000,000 corresponds with the published statements of the four packers concerned. Possibly the Trade Commission has included certain appropriations to reserves in obtaining the figures which total \$178,000,000.

The important point is that the Trade Commission's own statements of profits, in the same paragraph of the report, do not coincide with each other, and the inclusion of an inaccuracy of this sort, whether favorable to the packers or

not, tends to discredit the value of the whole report. Whichever figure represents the true profits of the packers—the \$140,000,000 which corresponds with the published statements, or the \$178,000,000, obtained by adding figures presented by the commission—the packers are ready to defend as reasonable and just, considering the volume of business handled, the returns made to stockholders, and the need of greater funds to finance the business during war times.

2. *Misstatement concerning hides.*—As for the reference to hides the Trade Commission says that during 1917 the prices of hides, particularly packer hides, were advanced very rapidly, notwithstanding that during the period of advance great supplies of hides were withheld from the public. The statement that hide prices advanced during 1917 is absolutely false. The following figures, taken from the Yearbook of the Chicago Drovers' Journal, show that except for the hides from heavy native steers the general tendency of native packer hides was downward:

*Prices of hides per hundred pounds, Chicago, 1917.*

	Heavy native steers.	Light Texas steers.	Branded cows.	Average prices, 10 grades.
1917.				
January.....	\$32.87	\$31.50	\$31.25	\$30.34
February.....	31.50	31.00	31.00	29.71
March.....	30.35	29.80	29.60	28.43
April.....	29.62	29.75	29.25	28.11
May.....	31.70	31.80	31.00	29.74
June.....	32.75	31.37	29.75	29.91
July.....	33.25	31.37	29.00	30.36
August.....	33.70	30.20	27.10	29.81
September.....	32.87	25.75	22.25	26.34
October.....	33.87	27.00	22.62	27.41
November.....	34.90	28.19	23.49	28.46
December.....	35.00	27.37	22.00	27.55

The insinuation that packers advanced the prices of hides arbitrarily is without foundation. The large packers are not only in keen competition with each other, but with many outside dealers. The domestic supply of hides in 1917 was the largest in the history of the country, and the demand did not keep pace with the supply. Swift & Co. sold 20 per cent more hides in 1917 than during the preceding year and got rid of them as rapidly as the market could absorb them, and suffered losses on many of these sales.

Swift & Co. wrote to the Federal Trade Commission in March, correcting misstatements in the preliminary report of the Trade Commission on the hide and leather situation, issued last January, but the Trade Commission has apparently paid no attention to these corrections and explanations.

3. *Unfair treatment of profit figures.*—In addition to the comparison of war with prewar profits, referred to above, the whole presentation of the matter of profits is misleading and tends to give a false impression. Where it is said that the packers "have preyed upon the people unconscionably," one might infer that the high prices of meat have been due to large profits of the packers. To be entirely fair, the Trade Commission might have explained that these profits amount to such a small fraction of a cent a pound that if eliminated entirely there would have been practically no effect upon the prices of meat or live stock. Where it is said that the total profits of the four large packers for the three war years amounted to \$140,000,000, it should have been explained that this profit was made on a total volume of business of \$4,570,000,000 and amounted to only about 3 cents on each dollar of sales.

4. *The report does not mention that profits on meat are limited by Food Administration.*—The Federal Trade Commission should also have explained that since November, 1917, the Food Administration has limited the profits of the five large packers in their meat departments to 9 per cent on the capital employed, amounting to about 2 cents on each dollar of sales. No profit whatever is guaranteed.

5. *Sensational method of stating Morris & Co.'s profit.*—Another indication of the unfairness of the Trade Commission is the way in which it featured the fact that in 1917 Morris & Co. earned a profit of 268.7 per cent on its capital stock. It is true that the Trade Commission says that this was equal to a rate of 18.6

per cent on the net worth of the company, but to have emphasized the fact that the profit was 263 per cent on the small nominal capitalization of \$3,000,000 is evidence of the commission's desire to present sensational and misleading information. The extent to which the press dispatches throughout the country have featured this 263 per cent, without any explanation, is ample proof that the commission was unjust in presenting the figure the way it did.

The report goes on to say that while the other packers have made lower returns on their common capital stock it is because they have from time to time declared stock dividends and in other ways capitalized their growing surpluses. Speaking for Swift & Co., this statement is entirely untrue. Every cent of the \$100,000,000 capital upon which the earnings have been computed has been paid in in cash. Furthermore, there is nothing reprehensible in the practice of issuing capital stock for earnings that have accrued and been allowed to remain in the business.

6. *It is not explained that war profits have been necessary.*—Furthermore, the impression is given that these packers' profits quoted in the report were earned in cash and distributed to the owners of the business. The Trade Commission says that they were "pocketed." As a matter of fact, speaking for Swift & Co., after the payment of 10 per cent dividends to 20,000 stockholders out of the 1917 profit, the remainder was put back into the business to finance operations and to build extensions and improvements.

In discussing war profits a distinction should be made between those industries which earn a clear cash profit which can be taken out by the owners and those businesses which have to keep their profit tied up in the business. At the very high prices prevailing during the past year Swift & Co. has found it difficult to finance its business; whereas, inventories ran from \$50,000,000 to \$75,000,000 before the war, they have been running as high as \$150,000,000 during recent months. Even with over two-thirds of our net profits of 1917 put back into the business we have had to issue more stock in order to raise money to properly finance the business.

Another fact that should be considered in connection with war profits is that they have been earned on continuously rising markets. Prices have advanced so rapidly, even between the time of purchasing live stock and the sale of resulting products, that unexpected, as well as necessary, profits were earned. We do not feel, however, that these profits are entirely earned, because sooner or later there is bound to come a period of receding prices, when our profits will not only be smaller than anticipated, but may even turn into losses. It is necessary, both for our own business and for the welfare of the country, that we protect ourselves against this occurrence.

7. *The monopoly charge.*—Finally, the Trade Commission openly accuses the packers of having a monopoly and of manipulating the market without regard to law. This is a very serious charge, and no department of the Government should make it unless it has the facts to prove its case. The Federal Trade Commission has no such facts because they do not exist. Swift & Co. stands ready to prove to any unprejudiced person that it is in open competition with the other packers; that it has no power to manipulate prices, even if it desired to do so; and that it has lived up to the law in every respect.

The whole report of the Federal Trade Commission is a one-sided affair. It not only ignores business fundamentals, but willfully misrepresents the facts. The industries affected have been given no opportunity to explain their side of the case, and the commission gives no explanations of the business reasons for the facts gleaned from the packers' books. We protest that this is not a proper way for such an important department of the Government to proceed.

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REPLY TO "ANSWER OF SWIFT & CO. TO THE FEDERAL TRADE COMMISSION REPORT OF JUNE 29, 1918, ON PROFITEERING."

When in accordance with a Senate resolution (S. Res. 255) the commission reported data in its possession regarding profiteering in various industries, it reported the facts as to meat packers along with the other lines of industry. In press statements, advertisements, a telegram to the commission, a letter to Senator Sherman which was placed in the Congressional Record, and finally in a formal pamphlet entitled "Answer of Swift & Co. to the Federal Trade Commission," Swift & Co. and the four other principal meat packers have taken issue with this report.

The answer of Swift & Co. makes seven arguments, which will be stated and replied to in order.

1. *That the report contains unfair and inaccurate comparisons of war profits with prewar profits of the meat packers.*—The commission's report said on this subject:

"An exposition of the excess profits of four of the big meat packers (Armour, Swift, Morris, Cudahy, omitting Wilson as not comparable) is given in the fact that their aggregate average prewar profit (1912-13, and 1914) was \$19,000,000; that in 1915 they earned \$17,000,000 excess profits over the prewar period; in 1916, \$36,000,000 more profit than in the prewar period; and in 1917, \$68,000,000 more profit than in the prewar period. In the three war years, from 1915 to 1917, their total profits have reached the astounding figure of \$140,000,000, of which \$121,000,000 represents excess over their prewar profits."

This says that the aggregate average prewar profit (for 1912, 1913, 1914) was \$19,000,000 for the four packers. It then states the excess which was earned over this prewar period in each of the three war years, and states the excess for the three years as \$121,000,000. The statement was made in this form to show the increasing excess profit during the war period: \$17,000,000 excess in 1915; \$36,000,000 excess in 1916; \$68,000,000 excess in 1917.

Swift & Co. says that this comparison is unfair. This implies that the public would not recognize the difference between an average for three prewar years and a total for three war years. The commission made a clear and true statement and it believes the public was not misled.

The comparison might have been put in tabular form, showing the increasing excess profits of the war years, thus:

Average annual profit, 1912, 1913, and 1914.		Excess profit over average profit of 1912, 1913, and 1914.		Total profits, 1915, 1916, and 1917. <sup>1</sup>	
Year.	Amount.	Year.	Amount.	Year.	Amount.
1912.....	\$19,000,000	1915.....	\$17,000,000	1915.....	\$36,000,000
1913.....	19,000,000	1916.....	36,000,000	1916.....	55,000,000
1914.....	19,000,000	1917.....	68,000,000	1917.....	87,000,000
Actual total for 3 prewar years.....	57,000,000	Excess for 3 war years.....	121,000,000	Actual total for 3 war years.....	178,000,000

<sup>1</sup> This means total known profits. No complete audit has yet been made, and this is to be taken as a minimum.

Another way to have stated the figures would have been to say that the average annual profit of the four in 1912, 1913, 1914 was \$19,000,000 but in 1915, 1916, 1917 was \$59,300,000; or to have said the aggregate profits for the three prewar years was \$57,000,000 for the three war years \$178,000,000, a total excess in the three war years of \$121,000,000.

The report actually understated the total known profits of the four packers in 1917 by \$38,000,000. The true total of \$178,000,000 was derivable by an addition of the figures given in the report, as Swift & Co. have added them in their answer, which draws up a table similar to that just given. By clerical error the total was referred to as \$140,000,000. This figure is, as Swift & Co. states, the unrevised total profits given by the four packers in their published financial statements for the year 1917.

The difference of \$38,000,000 as Swift & Co. surmise in their answer, is mainly in the commission's restoration to profits of reserves set aside by the companies, chiefly reserves for the payment of Federal taxes. A particular item is \$10,000,000 which Swift & Co. set aside as a "general reserve" and did not include in its showing of profits. Government accounting practice does not permit setting aside such reserves before calculating profits. The purpose of these Federal taxes is to tax profits, and this purpose is defeated if the tax itself is counted as a cost.

In saying that \$178,000,000 is the total profits of the four packers in the war period the commission wishes to be clearly understood. It is the total as far as its examination has as yet gone, but is known not to be the total profit; it is a minimum statement. The survey thus far has revealed items (deducted from profits) that are not proper charges.

Most important is the fact that the balance sheets and profit and loss accounts of the packers do not present complete consolidated results of the business of parent and subsidiary corporations. The full earnings of only part of the subsidiaries of the corporations themselves are taken into the accounts of the parent companies and some are not taken in at all. An example of this is the case of Swift & Co.'s foreign companies. This company has taken into its books in certain years, only the dividends of some of its foreign subsidiaries, in other years their total earnings, again only a part of their earnings. As the items are large the inclusion of total or of only partial results has affected Swift & Co.'s published statement of profits to an important degree. Itemizing the companies for which only partial returns or dividends were taken into the books, the South American companies being the chief ones, and itemizing also Swift Canadian Co. (Ltd.), which is also important the profits and losses of the foreign companies of Swift & Co. appear on the profit and loss sheets of Swift & Co. for 1917, as follows:

	Amount.	Remarks.
Compania Swift de la Plata.....	\$4,230,736.69	Partial results.
Compania Swift de la Montevideo.....	1,173,416.74	Do.
New Patagonia Meat & Cold Storage Co.....	215,029.99	Do.
Australian Meat Export Co. (Ltd.).....	218,700.00	Dividend.
Swift Beef Co. (Ltd.).....	58,320.00	Do.
H. A. Lane & Co.....	43,164.58	Do.
H. L. Swift Stall (London).....	1,23,044.33	Partial results.
Curry & Co. (Ltd.).....	1,438.44	Do.
Total of above partial results and dividends.....	5,915,885.18	
Swift Canadian Co. (Ltd.).....	1,193,799.31	Complete results to date.
Other foreign companies.....	1,98,321.83	Do.
Total of complete results.....	1,066,477.45	
Total carried to summary.....	7,011,362.63	

<sup>1</sup> Loss.

The report on profiteering stated that no foreign profits of Armour & Co. were included in the calculation of profits for 1917; the above table shows that the \$7,011,362.63 taken into the books of Swift & Co. was not the total profit of Swift's foreign companies. Had the foreign profits of Armour & Co. (known to be in excess of \$5,000,000 in South American business alone) been included in the 1917 figures, the total of excess war profits would have been largely increased.

That the commission sought to deal fairly with the packers in these tabulations of profits is evidenced by the fact that the figures of Wilson & Co. (Inc.) were entirely eliminated from the computations, although Wilson & Co., as the fourth largest of the "Big Five," would naturally have been taken into consideration. According to the published figures, it appears that the profit of Wilson & Co. (Sulzberger & Sons Co. prior to 1916) were as follows:

S. & S. Co.:	
1912.....	\$1,326,000
1913.....	1,364,000
1914.....	1,209,000
1915.....	2,464,000
W. & Co.:	
1916.....	<sup>1</sup> 5,431,000
1917.....	<sup>1</sup> 8,516,000
Total prewar profits (1912, 1913, 1914).....	3,899,000
Total war profits.....	16,411,000
Excess three war years, 1915, 1916, 1917.....	12,512,000

By including the above in its tabulations, the commission could have shown an excess for five companies in the war years of nearly \$134,000,000 instead of \$121,000,000, the figure actually exhibited for four companies. The commission's reason for excluding the Wilson figures, was solely the fact that prior

<sup>1</sup> Commission's figures.

to the reorganization of the company, in 1916, the accounts (as disclosed by an examination by Price, Waterhouse & Co., certified public accountants), were found to be so unreliable that it was thought best not to include the company at all in justice to the packers themselves.

2. *That the report contains an absolute misstatement of facts with regard to the prices of hides.*—Swift & Co.'s statement that the Federal Trade Commission misstates facts with regard to the prices of hides is based upon the following sentence in the commission's report:

"During 1917 the prices of hides, particularly packer hides, were advanced very rapidly, notwithstanding that during the period of advance great supplies of hides were withheld from the public."

Swift & Co. submits on this point certain figures from a table compiled by the Chicago Daily Drovers' Journal, showing average monthly prices in 1917 for several kinds of hides. The full table as published by the Drovers' Journal, taken in connection with the comparative figures which the table gives for the year 1916, entirely bears out the statements of the commission. The average prices for hides of all kinds showed an increase of 5.31 cents per pound in 1917 over the average prices of 1916.

The figures which Swift & Co. did not give but which are included in the Drovers' Journal table from which they quoted are as follows:

[Per hundred weight.]

	Average prices.		Increase, 1917 over 1916.
	1916	1917	
Heavy native steers.....	\$26.28	\$32.70	\$6.42
Heavy Texas steers.....	24.23	30.94	6.71
Light Texas steers.....	24.06	29.58	5.52
Butt brand steers.....	23.86	30.23	6.37
Colorado steers.....	23.34	29.73	6.39
Branded cows.....	23.94	27.35	3.41
Heavy native cows.....	24.89	31.59	6.70
Light native cows.....	24.89	29.59	4.70
Native bulls.....	21.41	25.03	3.62
Branded bulls.....	18.47	21.72	3.25
Average, all kinds.....	23.53	28.84	5.31

In reference to the commission's statement that during the period of advance in price great supplies of hides were withheld from the public, Swift & Co. further says:

"The insinuation that packers advanced the prices of hides arbitrarily is without foundation. The large packers are not only in keen competition with each other but with many outside dealers. The domestic supply of hides in 1917 was the largest in the history of the country, and the demand did not keep pace with the supply. Swift & Co. sold 20 per cent more hides in 1917 than during the preceding year and got rid of them as rapidly as the market could absorb them, and suffered losses on many of these sales."

The commission's statement on this point was based, in part, on the statistics of monthly stocks of hides for 19 months, from January 31, 1916, to July 31, 1917, as reported by the five principal packers and, in part, on letters from the packers' files indicating their policy as to hides. The statistics of stocks reduced to a percentage index of the monthly fluctuations, taking January 31, 1916, as a base, are as follows:

*Big five.*

Per cent.		Per cent.	
1916—Jan. 31 .....	100.0	1916—Nov. 30 .....	113.9
Feb. 29 .....	94.4	Dec. 31 .....	113.5
Mar. 31 .....	89.9	1917—Jan. 31 .....	117.8
Apr. 30 .....	81.9	Feb. 28 .....	122.6
May 31 .....	79.9	Mar. 31 .....	126.7
June 30 .....	84.0	Apr. 30 .....	126.7
July 31 .....	89.2	May 31 .....	131.5
Aug. 31 .....	101.0	June 30 .....	138.3
Sept. 30 .....	109.0	July 31 .....	144.9
Oct. 31 .....	106.6		

To show the fluctuation of the big packers' stocks of hides in the first seven months of 1917 as compared with their stocks in the corresponding months of 1916, the following percentage indices are given, January 31 being taken as base in each year:

	1916	1917		1916	1917
Jan. 31.....	100.0	100.0	May 31.....	79.9	111.6
Feb. 29 (28).....	94.4	104.0	June 30.....	84.0	117.4
Mar. 31.....	89.9	107.5	July 31.....	89.2	123.0
Apr. 30.....	81.9	107.5			

The policy of Armour & Co. in respect to hides in 1917 may be shown by the following letters found in the company's files:

MADDEN: We have to have immediate relief in our hide cellars. Have 85,000 hides and 88,000 calfskins on hand with shipping orders on only 6,000 calfskins. Must have immediate instruction on the 54,000 hides you have reported sold in order to keep our kill going. Killing around 15,000 cattle and calves a week and have been working past the danger point on our hides for some time, account way we are forced to pack them in our cellars and outside in the open, but have reached the point now where we have no place to go with any more and must have immediate relief, even though it be necessary to force delivery on the tanneries. Please take immediate action on this and give us relief at once; it is imperative.

CASE.

JULY 19, 1917.

Mr. F. E. WHITE, *Yard's Office*.

DEAR SIR: I attach hereto letter from Mr. Welmer, explaining the entire situation regarding Armour & Co.'s light cows.

Your accumulation of winter hides is due to the fact that you have not been a free enough seller. In other words, when there was an opportunity to unload your hides you advanced your prices too fast, instead of bearing in mind the accumulation which you were making. Along this line, England, Walton & Co. bought last November 25,000 light native cows, and they offered you 32½ cents for them, but you were holding for 33 cents. They finally placed the order within a week with Swift & Co. at 32 cents. Afterwards you sold these hides at 30 cents, and about December 16 your sales stopped, there being no sales to speak of until the big sale you made to the Central Leather Co.

The latter part of March Wilson & Co. unloaded their light native cows at 28½ and 29 cents. This was followed by large sales the week ending April 7. During that week Morris & Co. sold a large quantity of their light native cows at 29 cents for Januarys and 30 cents for November and December. The following week large sales were made of light native cows at 30 cents for December and Januarys. The following week Armour & Co. sold 2,700 at 30½ cents, advancing the price to 31 cents. The week ending April 28 there were about 30,000 light native cows, December and Januarys, sold at 31 cents, and when we wanted to buy your cows you wanted this price for them, and we were able to buy 60,000 small packers at 29 cents, also Swift-branded cows at 29 cents, on which you wanted 30 cents. We did not want to buy these branded cows and advised you that we could buy them of Swift at that price, and we were made to establish this market before you would meet it. Had you met what we knew to be the market, you would not have the 60,000 winter light cows which you now have on hand.

There was active trading the week ending June 2, during which there were a lot of hides moved at 31½ cents for Mays and 32 cents for Junes. Wilson and Morris, I understand, cleaned out at these prices, the Aprils going the following week at 31 cents. You had business offered you at 32 cents for Junes, which you turned down, trying to get 32½ cents. I remember distinctly advising Mr. Madden to sell these hides and let the old ones take care of themselves, and he made the statement that it was your judgment that we should sell the old hides first.

I am not writing this letter as a criticism, as we all make mistakes in judging the future, and it is creditable to all of us to try to get all we can; and I know of no one in the organization who is not desirous of doing the best they can and



using his best judgment at all times, but I know that it is not to the interest of Armour & Co., as a matter of dollars and cents, to carry out the policy which you have outlined, viz, that we put these light cows into Sheboygan regardless of price, when there has been a price at which you could have sold them which would have netted the organization \$2 or \$3 a hide more than they would have obtained by putting them into the Sheboygan tannery.

The price that light cows have been bringing for the past five years has been based on a harness and belting butt proposition, and no upper leather tanner in America can use them on the basis at which they have been selling without losing money. Wilder Tanning Co., as you know, have just sold out because they could not make any money, and they have been working on packer hides.

There has been no time in the past six months on hides or leather, either, when the seller should have turned down business on a half or even a cent a pound less than asking price. We have followed this policy in the sale of leather, and even then we have an accumulation, yet at no time have we missed an opportunity to unload our stock. Had this policy been pursued on hide sales, you would not have had the large accumulation of hides which you now have.

Very truly, yours,

H. W. BOYD.

3. *That profit figures are presented in such a way as to give a totally false impression as to their magnitude.*—Swift & Co.'s answer in amplifying the above point says:

"Where it is said that the packers 'have preyed upon the people unconscionably,' one might infer that the high prices of meat have been due to large profits of the packers. To be entirely fair, the Trade Commission might have explained that these profits amount to such a small fraction of a cent a pound that if eliminated entirely there would have been practically no effect upon the prices of meat or live stock. Where it is said that the total profits of the four large packers for the three war years amounted to \$140,000,000, it should have been explained that this profit was made on a total volume of business of \$4,570,000,000, and amounted to only about 3 cents on each dollar of sales."

The total sales of the four packers concerned amounted during the three war years, according to the figures given the commission's accountants, to \$4,484,315,000 instead of to \$4,570,000,000, the figures given in Swift & Co.'s statement quoted above. The profit of \$178,000,000 on sales of \$4,484,315,000 amounted to about 4 cents on each dollar of sales, and, in the case of Swift & Co., 4.8 cents.

There are several fundamental assumptions in Swift & Co.'s answer and in the "educational advertising" of the big packers generally on this question. These assumptions should be scrutinized.

The first assumption is in shifting the discussion of this total profit of \$178,000,000 (which is a profit on all commodities handled) into a discussion of the price, cost, and profit of meat. The public is as much concerned as to prices, costs, and profits of butter, eggs, poultry, cheese, rice, canned goods, cottonseed-oil products, leather, soap, glycerine, fats, fertilizer, etc., as it is in meat.

The second assumption is that a small profit per pound or a small profit per dollar of sales means of itself that the packers are not responsible for high prices. This assumes the efficiency of the packers, and that they have acquired their substantial monopoly of the meat business through ability to slaughter and distribute at a less total cost. The commission doubts this assumption. While granting efficiency in the physical operations of slaughter and by-product preparation, it is by no means sure that economies here are not more than offset by extra freight hauls, shrinkage in weight of live stock in shipment, large overhead, and expenditures not properly chargeable to costs. It may well be that smaller packers, located more favorably, could do the work more cheaply than the big packers if free to do it. It is certain that the big packers have used unfair competition in securing dominance. The facts in respect to relative efficiency can be proved definitely only after the installation of a uniform accounting system.

The third assumption is that the packers' books show the true profits and the true costs of any kind of meat or of their meat business as a whole, and that the accumulated totals on their books show the true cost and the true profit of their entire business in all lines. The commission's accountants, including professional accountants of the highest reputation, have been engaged many months

on the books of the packers, and no other conclusion can be drawn from their investigations than this: That the present accounting system of the packers is not a sound system for costs nor reliable for profits.

That the packers themselves have come to substantially the same conclusion is evidenced by the statements of F. E. White, vice president of Armour & Co., and G. H. Cowan, vice president of Wilson & Co., in hearings conducted by Mr. Perley Morse, certified public accountant, representing the commission:

"Mr. MORSE. You consider that it is almost impossible then to arrive at exact cost of production between departments?"

"Mr. WHITE. The simple answer to that question is, yes."

(Page 206 of the testimony.)

"Mr. MORSE. And your profits or losses so stated are more or less fictitious?"

"Mr. COWAN. True."

"Mr. MORSE. In your opinion do you think a cost system could be installed in the packing industry that would give actual cost?"

"Mr. COWAN. I think it would be exceedingly difficult."

(Page 288 of the testimony.)

It is for this reason that the commission has very heartily acceded to the request of the Food Administration to draw up a uniform system of financial accounts as a basis for the packers' reports of profits to the Food Administration, and to study the problem of a uniform system of cost accounts in the packing business. A force of expert accountants has been engaged on this work for several months.

The report on profiteering was not an appropriate place to discuss these matters. They are to be discussed in full in the detailed report to the President on the meat industry.

The fourth assumption in the answer of Swift & Co. is that the public is principally concerned in the rate of profit per pound, or the rate of profit per dollar of sales, which, whether 3 cents, as stated by Swift & Co., or within a fraction of 4 cents, as stated above, or whatever the figure may be, is in any case not large. The only sound criterion of profits and the only phase of profit about which the packer himself really cares is the rate of profit on the invested capital.

As to profit per pound, it should be noted, however, that a rate of profit on coal, for example, would seem small if stated on a per pound basis. Such industries reckon their profit per ton. As a matter of fact, packer sales of meats are on a hundredweight basis. The packers' profits on a per ton basis would seem large, yet considering that the sales of "big five" branch houses and car routes (which were only about 60 per cent in value of their total sales) amounted in 1916 to something like 3,375,000 short tons, their profits might reasonably be stated on a per ton unit. The "big five" packers are engaged in large scale operations, their sales in 1917 largely exceeding in value those of the United States Steel Corporation.

Anthracite coal companies regard a profit of 25 cents a ton as a very satisfactory profit. For this they dig the coal, raise it hundreds of feet, clean and prepare it, and distribute it wholesale to market, pumping their mines free from water, and are constantly under necessity of maintaining conditions of safety in their hazardous business. The packers in their meat trade buy cattle at the slaughterhouse door, kill and dress them, and distribute the meats wholesale to market. In some respects they are under greater difficulties than the coal operators; in some respects under less. Yet instead of a 25 cents per ton profit, their profit of one-fourth cent per pound, according to Swift & Co., is 25 cents per hundredweight, or \$5 per ton.

But whether profits per pound or per ton are large or small is not the point. The best basis for a proper judgment of profits is the rate of return on the investment of the stockholders.

In stressing the rate of return on sales, the packers in their public statements seldom emphasize its corollary, the rapidity of "turnover." If the capital invested is turned over only once a year, then 4 cents per dollar of sales means a return of only 4 per cent on the investment; if turned over twice a year it means 8 per cent on the investment; if three times, 12 per cent, and so on.

In fresh meats, which forms an important part of the packers' business, the dollar invested in the buying of a steer, slaughtering him, and marketing the carcass is normally back in the hands of the packer, with its profit, inside of two or three weeks (at any rate, that part of the dollar that represents the carcass itself). It is then ready to be invested in another steer and earn another profit.

In other lines the turnover is, of course, much less rapid, and many commodities are carried in storage over long periods awaiting a higher market, the turnover in such cases being slow.

That the profits of the "big five" on their investment have, as a matter of fact, been unreasonably high over a period of more than 30 years is shown by a simple study of the proportion of their present capital which represents new money paid into the enterprise by the owners and the amount which represents earnings left in the business. For a concern to grow, in reasonable part, on invested earnings in a speculative industry or in the speculative period of its own career is sound and not to be criticized. But the "big five" packers have grown at a very rapid rate almost entirely on earnings, and are continuing to grow on earnings, though more slowly, after the period of any substantial risk in their business. With the paying in of very little new capital they have reached enormous proportions. The partners of Armour & Co. up to 1900 and the stockholders since its incorporation in that year have paid into the company not more than \$160,000 unless part of the \$10,125,000 paid for the Armour Packing Co. of Kansas City, formerly owned in partnership with another branch of the Armour family, involved the paying in of new capital by the shareholders of Armour & Co. The bulk of the remaining \$136,000,000 of this company's capital and surplus in 1916 consisted of profits left in the business.

This can only mean that prices charged have been unreasonably high, and that the consumers of Armour products have, a few cents at a time perhaps, really paid for the property that Armour & Co. now owns.

Furthermore, the public is distinctly concerned when large aggregate profit gives an undue power to the packers, which is menacing as they use it to extend still further their control of the food supply and the by-product industries.

4. *That the Trade Commission does not mention that profits on meat have been limited by the Food Administration since November, 1917.*—On this point the answer of Swift & Co. says:

"The Federal Trade Commission should also have explained that since November, 1917, the Food Administration has limited the profits of the five large packers in their meat departments to 9 per cent on the capital employed, amounting to about 2 cents on each dollar of sales. No profit whatever is guaranteed."

The report did not mention the profit regulation by the Food Administration for the reason that practically coincident with this report the Federal Trade Commission made a special report to the President on the reasonableness of the maximum-profit limitations fixed on the meat-packing industry by the Food Administration. This report was the result of an investigation directed by the President in accordance with the recommendation of the President's committee on meat policy, which suggested that the Federal Trade Commission ascertain the reasonableness of these maximum profits and report thereon before July 1. This the commission did. This report, being made to the President, was not and is not a subject for discussion by the commission.

The expression "9 per cent on capital employed" does not reveal the fact that this includes, contrary to sound accounting rules, borrowed money and treats it as investment.

5. *That the method of stating Morris & Co.'s profit was sensational.*—On this Swift & Co. makes the following statement:

"Another indication of the unfairness of the Trade Commission is the way in which it featured the fact that in 1917 Morris & Co. earned a profit of 263.7 per cent on its capital stock. It is true that the Trade Commission says that this was equal to a rate of 18.6 per cent on the net worth of the company, but to have emphasized the fact that the profit was 263 per cent on the small nominal capitalization of \$3,000,000 is evidence of the commission's desire to present sensational and misleading information. The extent to which the press dispatches throughout the country have featured this 263 per cent, without any explanation, is ample proof that the commission was unjust in presenting the figure the way it did.

"The report goes on to say that while the other packers have made lower returns on their common capital stock it is because they have from time to time declared stock dividends and in other ways capitalized their growing surpluses. Speaking for Swift & Co., this statement is entirely untrue. Every cent of the \$100,000,000 capital upon which the earnings have been computed has been paid in in cash. Furthermore, there is nothing reprehensible in the practice of issuing capital stock for earnings that have accrued and been allowed to remain in the business."

As to the matter of Morris & Co.'s profit, it was not the method of statement, but the fact which was sensational. For this, not the commission but Morris & Co. was responsible.

In stating that the profit of Morris & Co. for 1917 amounted to 263.7 per cent on the capital stock the commission simply used a method, commonly employed by financial writers, to show the relation of the company's earnings for the year to the stock in the hands of the stockholders of the company, each of whom might have received a dividend of 263.7 per cent on the par value of his stock had the company not held the greater part of these earnings for use in the business.

Swift & Co.'s statement that every cent of its \$100,000,000 capital has been paid in in cash needs to be taken in connection with the following facts:

In November, 1916, the company issued \$25,000,000 of new stock, thereby increasing its capital stock from \$75,000,000 to \$100,000,000. This stock was offered to its stockholders at par. At the same time the company declared a cash dividend of 33½ per cent on its capital stock of \$75,000,000, the dividend amounting to \$25,000,000. The net result was therefore that the stockholders of Swift & Co. were provided with the funds by virtue of the cash dividend declared with which to purchase the new stock issued, and since the cash dividend was made applicable to payment of subscriptions for the new stock, almost without exception the stockholders simply indorsed their dividend check and returned it to Swift & Co. in payment for the new stock issued pro rata to each stockholder. At the time this dividend was declared the surplus of Swift & Co. amounted to \$80,315,000. After deducting the dividend of \$25,000,000 there still remained a surplus of \$35,315,000. It is obvious, therefore, that the new stock when issued had a book value of \$135. It was offered to the stockholders, however, at par value (100 per cent). These are pertinent facts that the answer of Swift & Co. does not set out.

In general, the view of Swift & Co. that there is nothing reprehensible in the practice of issuing capital stock for earnings, and that it is sensational to cite the earnings on a capital that has not been increased to take in surplus, has been answered under point 4 above. There is, however, a great difference between the moderate capitalization of earnings made in a competitive field and the packers' exceedingly extensive capitalization of earnings that have been unreasonably high over a long period of years, due to their monopolistic position.

Armour & Co., with a capital of \$20,000,000 in 1900—most of which was at that time capitalized earnings—acquired in 16 years a surplus of \$116,833,000, out of which, in 1916, it declared a stock dividend of \$80,000,000, or 400 per cent, and still had a surplus of \$36,833,000. This accumulation of surplus and capitalization of profits on such a large scale progressively conceals the real issue as to the reasonableness of the profits of subsequent years.

6. That the report does not mention that it has been necessary for the packers to leave the bulk of their profits in their businesses to finance heavy inventories and to build additions and improvements made necessary largely by war demands.—This point carries the same implications as some of the preceding ones, viz, that the packers are entitled to finance large extensions of their business out of profits. The packers have grown accustomed to this in their past experience, and are, no doubt, sincere in their thought of its propriety. But the fact that it is possible answers the claim of meager profits.

Swift & Co. says: "Even with over two-thirds of our net profits of 1917 put back into the business, we have had to issue more stock in order to raise money to properly finance the business."

The fact as to Swift & Co.'s recent 1918 issue of stock is that \$50,000,000 new stock was issued, increasing the total capital stock issued to \$150,000,000. One-half of this \$50,000,000 stock issue represented a stock dividend of \$25,000,000 and one-half was offered for subscription to the company's stockholders at par value, therefore only \$25,000,000 of this \$50,000,000 increase in the capital stock of Swift & Co. was actually paid for in cash.

As Swift & Co.'s published balance sheet for September 29, 1917, showed that the company's surplus amounted to \$59,965,000, it is obvious that the book value of the company's \$100,000,000 of stock at that time amounted to about \$160<sup>1</sup> per share. After issuing the \$50,000,000 of new stock the book value would still have amounted to about \$120 per share, without taking into consideration any profit made since September 29, 1917.

<sup>1</sup> This does not take into consideration \$12,000,000 which the company had previously deducted from its profits and carried in special-reserve accounts.

The company, however, had meanwhile added over \$32,000,000 to the value of its fixed assets by virtue of an appraisal and had increased its surplus by a corresponding amount. The book value, therefore, if we could consider the appraisal values as legitimate would be approximately \$144 per share. The stock was offered, however, to the stockholders at par.

In connection with Swift & Co.'s statement that its inventories ran \$50,000,000 to \$75,000,000 before the war and as high as \$150,000,000 in recent months, it may be noted that Swift & Co.'s borrowings and those of its principal subsidiaries were running from \$87,000,000 to \$70,000,000 before the war and \$150,000,000 in recent months. This means that the banks rather than the stockholders of Swift & Co. have largely financed the increased value of inventories.

Swift & Co. says that it should be considered that its profits were earned on continuously rising markets, and that prices "advanced so rapidly, even between the time of purchasing live stock and the sale of the resulting products, that unexpected as well as necessary profits were earned."

This explanation carries its own comment.

In respect to Swift & Co.'s fear that large losses are liable to occur in the future through the sudden breaking of the high market prices prevailing, it is to be noted that:

In the case of beef, the turnover, seldom exceeding two weeks, is so rapid that losses on current meats due to a break in selling prices would be swiftly and simply recouped by breaking the live-stock market in turn.

In the case of hogs the situation is different. A large part of the live hog is not sold as fresh meat with a rapid turnover but is put into the cellars for curing, a process which may take from one to two months. Also great quantities of hog products are carried in storage. A severe break in the selling price of hog products might then cause the packers to take large losses on the meats in the cellars and in storage. But can such a break actually occur? So long as the war continues the demand on America for hog products, both from our allies and from our domestic requirements, will preclude any drastic shrinkage in price.

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